

York University
Faculty of Liberal Arts & Professional Studies
Department of Economics

AP/ECON 4410 3.0 A

Corporate Finance

S1 2022 Course Outline

Course Instructor Contact:

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Course Consultation Hours: By appointment (In-person or zoom meeting, Zoom connection information will be available through eclass)

Course Web Site: eclass

Calendar Course Description / Prerequisite / Co-Requisite:

Examines topics such as dividend policy, capital structure, the valuation of corporate debt, other corporate liabilities (including leases) and options, merges, international finance, and financial planning.

Prerequisites: AP/ECON 2300 3.00, AP/ECON 2350 3.00 and AP/ECON 4400 3.00, or equivalents.

Course credit exclusions: AP/ADMS 4540 3.00, GL/ECON 4315 3.00, SB/FINE 3100 3.00.

Note: Acceptable course substitutes are available in the Calendar. PRIOR TO FALL 2009: Course credit exclusions: AK/ADMS 4540 3.00, AS/ECON 4410 3.00, GL/ECON 4315 3.00, SB/FINE 3100 3.00.

Lecture Time and Location

Lecture: T/Th: 2:30 pm – 5:30 pm VH3009

Teaching Assistants: TBA

Organization of the Course

This course involves formal lectures presented by the course instructor. The classroom technology will be used extensively, such as PowerPoint, or MS word format presentation. There will be extensive usages of the course web site. Reading assignments, practice problems, problem solving, etc., for each lecture session, tutorial sessions or TA availability, etc., will be announced on the course web site.

Technical requirements for taking the course:

This course is, in principle, a face-to-face lecture in a classroom. However, the Covid-19 situation is still ongoing, so online lecture deliveries can resume at any time, and some student consultations are expected to take place online. Moreover, the exam may be administered online, so all students taking this course must meet the following technical requirements.

A computer with microphone and webcam, and a high speed and reliable internet connection, and/or a smart device with these features. These technical features are required for students in order to fully participate in the course. There are some live information sessions including Q & A that may be conducted through Zoom video conferencing, where students are expected to participate. Also, students may be required to appear on video for exams/tests proctoring purposes. If you are not comfortable with these requirements, you should not enroll in this section of the course.

Students shall note the following:

- Zoom is hosted on servers in the U.S. This includes recordings done through Zoom.
- If you have privacy concerns about your data, provide only your first name or a nickname when you join a session.
- The system is configured in a way that all participants are automatically notified when a session is being recorded. In other words, a session cannot be recorded without you knowing about it.

Here are some useful links for student computing information, resources and help:

[Student Guide to Moodle](#)

[Zoom@YorkU Best Practices](#)

[Zoom@YorkU User Reference Guide](#)

[Computing for Students Website](#)

[Student Guide to eLearning at York University](#)

To determine Internet connection and speed, there are online tests, such as [Speedtest](#), that can be run.

Extended Course Description:

This course provides the student an introduction to the theories, applications, and financial tools within a corporate financial environment. It emphasizes understanding, analyzing, and integrating financial information as an aid to managerial decision-making. Topics include: value and capital budgeting, risk and return, capital structure and dividend policy, options, futures and corporate finance, etc.

Learning Objectives:

As a result of active participation in these sessions, a student can expect to:

- Calculate and interpret time value of money
- Estimate bond prices and identify factors that affect bond prices
- Classify and distinguish various types of risk and their relation to portfolio choice
- Describe and calculate a firm's capital structure and interpret how leverage and firm value are related using Miller-Modigliani propositions
- Calculate efficient portfolio using stock data
- Understand and evaluate capital budgeting decision rules and explain how real options affect these decisions
- Estimate the value of a common stock and evaluate if the stock is under or over priced
- Explain options, futures and corporate finance

Course Text / Readings (Required)

Ross, Westerfield, Jaffe, and Roberts, *Corporate Finance, Eighth Canadian Edition*, McGraw-Hill Ryerson, 2019.

Evaluation *

The grade for this course is composed of the mark received for each of the following components:

Type of Assessment	Group/Individual	Percent/Weight	Date
Midterm Exam (120 minutes)	Individual	40	
Final Exam (180 minutes)	Individual	60	
TOTAL		100%	

The following conversions will be used in converting percentage grades to letter grades:

90-100 (A+), 80-89 (A), 75-79 (B+), 70-74 (B), 65-69 (C+), 60-64 (C), 55-59 (D+), 50-54 (D), 40-49 (E), 0-39 (F).

Problem sets will be posted in the course web site throughout the semester. Some of them may be solved in class. These problems will not be graded, however, I encourage you to work through them. It will help you understanding the course material and consequently, increase the probability that you will do well in the course. Practice may not always make perfect, but it's a good start.

Deferred Exam Policy:

There are no makeups for missed midterm exams. Anyone missing the midterm exam will automatically have their final exam reweighted to be worth 100%.

NO multiple deferrals allowed: Students can defer only one of the two exams. If students defer more than one exams, the successive deferred exams will be marked zero.

Deferring the Final Exam: The deferred final exam policy will be applied only for those who completed all of the course requirements but the final exam. Students who do not complete one of the course requirements during the semester **MUST** attend the regular final exam session to complete the course. If a student were to miss a course requirement during the semester and has to defer the final exam as well then the student may submit a formal petition to the Faculty.

Requesting Deferred Final Exam

Students will be required to complete a Mach form requesting a deferred exam. For complete instructions for using the Mach form, please go to our website:

<https://www.yorku.ca/laps/econ/undergraduate-programs/academic-resources/department-policies/deferred-standing/>

The Mach form replaces the Final Exam/Assignment Deferred Standing Agreement (DSA). A student must submit the form within 5 business days from the final exam date.

Health and Safety Protocols Related to the COVID-19:

As part of York's Community of Care Commitment, all members of the York community share in the responsibility of keeping others safe on campuses. In this class, as elsewhere on campus, students must comply with all University health and safety protocols, including:

- *Self-screening using the YU Screen tool prior to coming to campus for any in-person activities*
- *Not attending in-person activities at any of York University's campuses/locations where you are feeling unwell or if you answer YES to any of the screening questions.*
- *Wearing masks or face coverings that completely cover the mouth, nose and chin while on campus*
- *Avoiding eating and drinking in classrooms, research and in shared spaces, where eating is explicitly not permitted (e.g., Libraries)*
- *Engaging in good hand hygiene*
- *Following instructions in designated spaces, as they pertain to giving space to one another and/or protocols for entry to and exit from classrooms, instructional and other shared spaces (e.g., Libraries), when applicable.*

Information about COVID-19 health and safety measures can be found on the Better Together website.

Tentative Sequence of Topics Covered and the Lecture Schedule

Session	Topics, Reading and Activity
01 T May 10	Ch 12: Arbitrage Pricing Theory Ch 13: Risk, Return, and Capital Budgeting
02 Th May 12	
03 T May 17	Ch 15: Long-Term Financing: An Introduction Ch 16: Irrelevance of Capital Structure: The Modigliani-Miller Theorem
04 Th May 19	Ch 17: Taxes, Agency Problems and Asymmetric Information
05 T May 24	Ch 19: Dividend and Payout Policy
06 Th May 26	Midterm Exam: (Weeks 1-4 Covered) (June 6: Last day of Drop)
07 T May 31	Ch 23: Options: Basic Concepts, Definitions
08 Th Jun 2	Ch 24: Option Pricing: The Binomial Model and Black-Scholes Formula
09 T Jun 7	Ch 25 and 26: Warrants and Convertibles, Derivatives, and Hedging
10 Th Jun 9	Ch 20 and 21: Debt and Equity Issuing in Practice, IPOs
11 T Jun 14	Ch 30 and 32: Mergers, Takeovers, Acquisitions, and Buyouts International Corporate Finance, Foreign Exchange Markets
12 Th Jun 16	Review
Final Exam	June 22 - 24

New Information and Changes:

The schedule is subject to change –sometimes there are unexpected absences or we bog down on an issue. Check your class notes, or contact me for up-dated work schedules.

It may be very possible to make some adjustments of lectures and/or exams schedules. Students may also have handouts for the topics discussed in the class. It is students' responsibility to be aware of any policy (or schedule change), or to collect handouts from classes. If you miss classes, contact the instructor before or immediate after, and check if there is any policy change or handout distributed.

There is no excuse for not knowing course policies or schedule changes, or for not having handouts.

Important Course Information for Students:

All students are expected to familiarize themselves with the following information, available on the Senate Committee on Curriculum & Academic Standards webpage; <http://www.yorku.ca/secretariat/policies/index-policies.html/>

- York's Academic Honesty Policy and Procedures/Academic Integrity Website
Academic Honesty and Integrity: Conduct that violates the ethical or legal standards of the University community or of one's program or specialization is subject to severe penalties. Students are responsible for understanding the nature and consequences of these offences, as contained in the Senate Policy on Academic Honesty, found on the York University Senate WEB page:
<http://www.yorku.ca/secretariat/policies/document.php?document=69>
- Ethics Review Process for research involving human participants
<http://www.yorku.ca/secretariat/policies/document.php?document=94>
- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities
<http://www.yorku.ca/secretariat/policies/document.php?document=68>
- Student Conduct Standards
<http://www.yorku.ca/oscr/standards.html>
- Religious Observance Accommodation
<https://w2prod.sis.yorku.ca/Apps/WebObjects/cdm.woa/wa/regobs>