

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

**AP/ECON 4410 3.0 M**

**Corporate Finance**

**S2 2023 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**

M: 4pm-7pm, CLH110

W: 4pm-7pm, VH3006

**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, Ninth Canadian Edition*, McGraw-Hill Ryerson, 2022.

## Evaluation \*

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

| Type of Assessment                      | Percent/Weight  |             | Date      |
|-----------------------------------------|-----------------|-------------|-----------|
|                                         | A               | B           |           |
| Quizzes (Online)                        | 10%             | 10%         | TBA       |
| Midterm Exam I (Classroom, 120 minutes) | Higher mark 30% | Higher mark | July 19   |
| Midterm Exam 2 (Classroom, 120 minutes) | Lower mark 10%  | 20%         | August 2  |
| Final Exam (Classroom, 180 minutes)     | 50%             | 70%         | Aug 17-24 |
| <b>TOTAL</b>                            | <b>100%</b>     | <b>100%</b> |           |
| <b>Course Grade = Max {A, B}</b>        |                 |             |           |

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).

**Please note that** I strongly believe that the best learning experiences occur when there is healthy attendance and discussions in the classroom. Therefore, I have a policy to give some bonus points based on **class attendance and participation (usually no more than 5%)** to encourage attendance and classroom discussion. Feel free to ask any questions or simply make comments on relevant topics at any time.

**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.

### Quizzes: Online Open-book format

I will post 3 short quizzes to eclass over the course of the semester. Each quiz is about one hour long and should be completed within the given 12 hours. The best 2 out of 3 quizzes will be counted in your grade. No makeup quizzes are available.

### No Makeup Midterm

There are no makeups for missed midterm exams. Anyone missing one midterm exam will automatically have their final exam reweighted to be worth 70%.

### 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/departments/policies/deferred-standing/>

A student must submit the form within 5 business days from the final exam date.

### Tentative Sequence of Topics Covered and the Lecture Schedule

| Session           | Topics, Reading and Activity                                                        |
|-------------------|-------------------------------------------------------------------------------------|
| 01 W Jul 5        | Ch 11: Risk and Return: The Capital Asset Pricing Model                             |
| 02 M Jul 10       | Ch 12: Arbitrage Pricing Theory<br>Ch 13: Risk, Return, and Capital Budgeting       |
| 03 W Jul 12       | Ch 15: Long-Term Financing: An Introduction                                         |
| 04 M Jul 17       | Ch 16: Irrelevance of Capital Structure: The Modigliani-Miller Theorem              |
| 05 W Jul 19       | <b>Midterm Exam 1: (Sessions 1-3 Covered)</b><br><b>(July 24: Last day of Drop)</b> |
| 06 M Jul 24       | Ch 17: Taxes, Agency Problems and Asymmetric Information                            |
| 07 W Jul 26       | Ch 19: Dividend and Payout Policy                                                   |
| 08 M Jul 31       | Ch 23: Options: Basic Concepts, Definitions                                         |
| 09 W Aug 2        | <b>Midterm Exam 2: (Sessions 4, 6, and 7 Covered)</b>                               |
| 10 W Aug 9        | Ch 24: Option Pricing: The Binomial Model and Black-Scholes Formula                 |
| 11 M Aug 14       | Ch 25 and 26: Warrants and Convertibles, Derivatives, and Hedging                   |
| 12 Tu Aug 15      | Ch 20 and 21: Debt and Equity Issuing in Practice, IPOs                             |
| <b>Final Exam</b> | August 17-24                                                                        |

**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.**

**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.*

**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>