

York University  
School of Administrative Studies, LA&PS

**AP/ADMS 4540 Financial Management**  
**Winter 2024 Section P ONCA**  
**(Tuesdays, Online over Zoom, Interactive starting at 7pm)**

**Course director:**  
Dr. William Lim  
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**Online Zoom Office Hours:**  
Thursdays, 6pm-7pm, starting Jan 25  
(By appointment only)  
Or email your questions anytime

**ESSENTIAL NOTICE: READ THIS FIRST**

This course is ONCA online with regular interactive meetings on Zoom on Tuesdays starting at 7pm for one to two hours long. The interactive sessions will not be recorded. Instead, there will be a prerecorded video for students to watch before the interactive Zoom meeting. Students will be responsible to attend all the interactive sessions and actively participate. Students will also be required to watch the video posted on the course website for that lecture and be prepared to discuss it during the lecture. We may change some aspects of this course as we work through it. We will post updated information on the course website. Students will be responsible for owning and maintaining a computer and stable internet connection that will allow them to participate in all interactive and online aspects of this course.

**Course Description:**

The objective of the course is to undertake a rigorous study of the theory and empirical evidence relevant to financial management. Building upon your introductory knowledge from ADMS 3530, you will learn elements of corporate finance not covered in ADMS 3530 such as determinants of interest rates, bond duration and refunding, risk and return, cost of capital, capital budgeting, capital structure, dividend policy and options and futures for hedging risk. Be forewarned that most students find this course both **quantitative and demanding**.

**Prerequisites:**

Credit in ADMS 3530 and ADMS 2320 and their prerequisites. Given that financial management requires one to understand and deal effectively with risk and uncertainty, a good grounding in statistics is essential, and familiarity with statistics should extend through regression, covariance and correlation. In addition, you should have a good working knowledge of common software (e.g., MS Excel, Minitab) useful for statistics.

**Required Work and Grading:**

Course requirements include class attendance (including active participation), individual assignments, exams, with the weights given as follows:

Attendance and Participation	: 10 %
Assignments (3, handwritten answers must be individually submitted)	: 15 %
<b>In Person, Closed Book</b> Mid-Term Exam (2 hours; Fri, Mar 1, 5-7 pm)	: 30 %
<b>In Person, Closed Book</b> Final Exam (2.5 hours to be scheduled in April by RO)	: 45 %
<b>Total</b>	: <b>100%</b>

## Register for Zoom:

If you have not used zoom before, do not wait for the start of the course to register. Do it now! You can get the basic version free online. York University has a license for Zoom that allows faculty members to run classes with up to 300 people. Please use the link on the course website in the General block (at top) to join the zoom interactive sessions and login using your Passport York credentials.

## Attendance and Participation:

Attendance (including active participation) is important for learning. You are expected to join each zoom interactive lecture and encouraged to participate actively in class. **One** mark will be given for your index page, and the other **9 marks** will be based on attendance (0.5 for each of 8 sessions taken randomly starting from the third session, totaling 4 marks), and participation (5 marks) based on my subjective assessment of your class participation (includes asking meaningful questions, answering my questions or adding comments). Please do not make any assumptions here. One could receive a low mark even if one has attended every class because of failure to participate actively. One could receive even lower mark because one does not attend interactive classes regularly.

## Assignments:

There are three assignments. You may discuss the questions conceptually with other students, **but you have to submit or upload your individual answers to assignments *individually* on eClass to avoid confusion. You must submit each assignment on eClass in PDF form before the deadline.** You must write your names, student numbers and email addresses at the top of each page of your assignment. We will not give any credit to an unidentified assignment. We do not have the time to track you down. Your answers to each assignment must be handwritten unless otherwise instructed in the question. **You may write your answers on paper and scan into a PDF file for uploading, or take pictures, insert these pictures into a word file and then convert it into a PDF file for uploading, or use appropriate camera or tablet software that converts to a PDF file for uploading onto the course website.**

## Exams:

The **Mid-term Exam** is of **2 hours duration** on **Friday, March 1, 5pm-7pm (On Campus In Person, Location TBA, closed book).** It will comprise five (5) questions on the following topics:

1. Bond Duration (similar to class exercise, end-of-chapter 7 problems and past exam questions)
2. Bond Refunding (similar to Assignments question OR end-of-Appendix 7B problems and past exam questions)
3. Subsidized interest rates (ODA similar to Assignments question OR end-of-chapter problems and past exam questions)
4. Canadian Tradition APT (similar to past exam questions and in class exercise)
5. Risk and Return (CAPM, APT- similar with Assignments question OR end-of-chapter 8, 12 and 13 problems and past exams)

Questions will also include any topic covered in lectures or required reading material up to Lecture 4 ***Risk and Return II***. The final exam of **2 ½ hour duration** will be written as scheduled by the Registrar and will be **cumulative**. Details about these exams will be posted on the course website in due time.

Both the mid-term and final exams are **On Campus and In Person and Closed Book**. Both exams must be written during the specified time. Some parts of exam questions will involve calculations where working steps must be shown. Some parts of exam questions are conceptual where essay answers which may include diagrams/graphs are required. **You must prepare a one letter-size page formula sheet containing all formulas and concepts you think are of importance.** The formula sheet **must be handwritten by you** and **must be submitted with the answers to the exam** or you will receive a mark of zero on that exam. More details about these exams will be posted on the course website in due time.

**If you have a religious conflict, please inform the course director as soon as possible and not later than FOUR (4) WEEKS before each exam so that alternate arrangements can be made.** In fairness to all students, no makeup exam will be given for the mid-term. If you have a valid excuse, your final exam performance relative to other students will be used to estimate your midterm exam mark. If you do not have a valid excuse, you will receive a mark of zero (0). The final exam is comprehensive (or cumulative) and covers the entire course. However, more weight will be given to the material covered after the mid-term. If you miss the final exam, you should submit a Deferred Standing Agreement (as described in the next section) if you have written the mid-term exam. **It is the policy of the Admin Studies Finance Area that instructors will NOT sign a DSA form if you miss both the midterm and final exams. Students in this situation will need to petition for a remedy appropriate to their circumstances.**

If you think an error has been made in the marking and you would like the course director to look at it again, then please submit a *written* request in an *email* for a review with valid reasons for the review. But, keep in mind that after reviews your score may go lower, remain same or go higher depending on your answers and marking scheme.

Letter grades are given as per School of Administrative Studies guidelines:

*The mean OR median final grade in the course will be B.*

Your final letter grade will be determined *relative* to the grades of all other students.

### **Deferred Standing – Missed Final Exam**

Deferred standing may be granted to students who are unable to write their final examination at the scheduled time. In order to apply for deferred standing in an AP/ADMS class, students must register at:

<http://sas-app.laps.yorku.ca>

The DSA and supporting documentation must be submitted no later than five (5) business days from the date of the exam. These requests will be considered on their merit and decisions will be made available by logging into the same link as above. No individualized communication will be sent from the School to the students (no letter or e-mails).

It is the policy of the SAS finance area that instructors will NOT sign a DSA form if you miss one (or both) midterm exams and the final exam. Students in this situation will need to petition for a deferred exam, late withdrawal or a remedy appropriate to their circumstances.

### **Academic Honesty and Integrity**

In this course, we strive to maintain academic integrity to the highest extent possible. Breaches of academic integrity range from cheating to plagiarism (i.e., the improper crediting of another's work, the representation of another's ideas as your own, etc.). All instances of academic dishonesty in this

course will be reported to the appropriate university authorities, and can be punishable according to the Senate Policy on Academic Honesty:

<https://secretariat-policies.info.yorku.ca/policies/academic-honesty-senate-policy-on/>

### **Relevant University /LA&PS/ School Regulations**

The regulations on many aspects of coursework that apply to you are on this site:

<http://sas.laps.yorku.ca/students/>

You are responsible for understanding and following these regulations.

### **On Learning:**

Except during examinations, you are encouraged to discuss class material with other students as an active form of learning. But please be aware of the regulations governing academic offences found in the Undergraduate Calendar. For the assignments, it is especially important that you reference your sources of data and information thoroughly and accurately. Otherwise you would be subject to the penalties for deliberate plagiarism.

*York University takes academic honesty very seriously. Second and subsequent breaches of academic honesty as a York student (e.g., cheating on exams, plagiarism, buying/copying another's assignment solution, perhaps from the internet) will result in a permanent record of academic dishonesty that will follow the student throughout his or her career and possible expulsion from the university. The first breach of academic honesty will result in a mark of zero (0) and possible failure in the course.*

### **Readings:**

Cultivation of individual interests and pursuits is encouraged, but please study the material given within [ ] in the Tentative Course Calendar. You are also responsible to learn the lecture material. Remember, the course material is cumulative and requires a steady "digestion of the installment plan." Few people can master the material just before the exam. Solid foundations are necessary and much depends on you. If you proceed "step-by-step", then you will find the subject much easier. The key to the bold-faced abbreviations in the Tentative Course Calendar is given below:

**RWJR:** Ross, Westerfield, Jordan, Roberts, Pandes, Holloway. *Fundamentals of Corporate Finance*, Eleventh Canadian Edition, McGraw-Hill Ryerson, 2022 (Connect NOT used.)

**Ross:** Ross, Westerfield, Jaffe, Roberts. *Corporate Finance*, Fourth Canadian Edition, McGraw-Hill Ryerson, 2005 (Chapters 10, 11 & 12 can be found on course website.)

**RWJR** is the required textbook for this course and is available at the York Bookstore.

### **More Things to Do:**

1. Check the Course Website and read your e-mail regularly.
2. Submit an index page (full letter-size page) by the *third week* of classes with the following *handwritten* information about yourself:
  - a. Your full name.
  - b. York student number.
  - c. E-mail address and local phone number.
  - d. Hometown.
  - e. Intended major/concentration and career plans.
  - f. List of Finance courses taken at York and other colleges/universities (which received transfer credit from York).
  - g. Photocopy of your **York Card** or other form of acceptable photo ID.

*You are required to post this index page on the course website by January 22. Use a PDF file and name it as: **LastName\_FirstName.pdf***

**IMPORTANT NOTE REGARDING TENTATIVE COURSE CALENDAR:** There will be a midterm review, a final exam review, and two tutorials on financial ratios (RWJR Chapter 3) during the semester.

**Midterm Review: Sunday, February 25, 7pm-10pm, Online (tentatively scheduled)**

**Tutorials on financial ratios: Friday, March 22, 7-10 pm, and Sunday, March 24, 10am-1pm, Online (tentatively scheduled) – only attend ONE tutorial session.**

**Final Exam Review: Sunday, April 7, 7pm-10pm, Online (tentatively scheduled)**

**TENTATIVE COURSE CALENDAR ADMS 4540E F23**

Jan 9 7pm	<b>Lecture 1: <i>Deterministic Valuation I:</i></b> Review of TVOM, DCF Valuation, Subsidized Interest Rates (ODA) & LT Fin Plan [RWJR Chapters 4, 5, 6; <i>Chapters 1 &amp; 2 (self-study)</i> ]
Jan 16 7pm	<b>Lecture 2: <i>Deterministic Valuation II:</i></b> Determinants of Interest Rates, <b>Inflation &amp; Interest Rates</b> , Bond Duration & Refunding [RWJR Chapter 7, Appendices 7A, 7B (from course website)]
Jan 23 7pm	<b>Lecture 3: <i>Risk and Return I:</i></b> Capital Market Stylized Facts & Mehra-Prescott Equity Premium Puzzle [RWJR Chapters 8, 12; <b>Ross Chapters 10 &amp; 11</b> ] <b>{Index Card Due on September 22 by 4pm}</b>
Jan 30 7pm	<b>Lecture 4: <i>Risk and Return II:</i></b> Markowitz Portfolio Theory & Separation Theorem, CAPM, and APT & CT: APT Equation [RWJR Chapter 13 and Appendix 13A; <b>Ross Chapters 11 &amp; 12</b> ]
Feb 6 7pm	<b>Lecture 5: <i>Deterministic Capital Budgeting:</i></b> Finding IRR with Infinite CCATS, EAC, and Project Evaluation & PV CCATS for various depreciation schedules [RWJR Chapters 9, 10, Appendix 10C, <i>Appendices 10A &amp; 10B (self-study)</i> ]
Feb 13 7pm	<b>Lecture 6: <i>Capital Budgeting with Uncertainty:</i></b> Scenario, Sensitivity & Break-Even Analysis, DOL, Managerial Options & Capital Rationing [RWJR Chapter 11] <b>{Assignment 1 Tentative Due Date: Monday, February 12 by 4pm}</b>
Feb 20	<i>No Class: Reading Week</i>
<b>Feb 25</b>	<b>{Midterm Review: 7pm-10pm, Online (tentatively scheduled)}</b>
Feb 27 7pm	<b>Lecture 7: <i>Applications of Capital Budgeting Techniques:</i></b> Leasing and M&A [RWJR Chapters 22 and 23]
<b>Mar 1 5-7pm</b>	<b>{Midterm Exam: 5pm-7pm, In Person, Closed Book, Campus Location TBA}</b>
Mar 5 7pm	<b>Lecture 8: <i>Cost of Capital:</i></b> WACC, Flotation (Underwriting) Costs, APV, EVA & MVA [RWJR Chapter 14, Appendices 14A, 14B]
Mar 12 7pm	<b>Lecture 9: <i>Capital Structure:</i></b> M&M, Impact of Corporate Taxes, Financial Distress & Bankruptcy, Trade-Off & Pecking Order Theories, Windows of Opportunity & Personal Taxes [RWJR Chapters 15 and 16 and Appendices 16A, 16B]
Mar 19 7pm	<b>Lecture 10: <i>Dividends:</i></b> Dividend Dates, and Tax Policy Effects on Payout Policy [RWJR Chapter 17] <b>{Note: Online Financial Ratios Tutorials on March 22 and March 24}</b>
Mar 26 7pm	<b>Lecture 11: <i>Derivatives:</i></b> Options, Forwards & Futures, Hedging, and Risk Management [RWJR Chapter 25] <b>{Assignment 2 Tentative Due Date: Monday, March 25 by 4pm}</b>
Apr 2 7pm	<b>Lecture 12: <i>Review of Regression Analysis and Review for Final Exam</i></b>
<b>Apr 7</b>	<b>{Final Exam Review: 7pm-10pm, Online (tentatively scheduled)}</b> <b>{Assignment 3 Tentative Due Date: Monday, April 8 by 4pm}</b>
<b>April</b>	<b>{Final Exam: In Person, Closed Book, Date/Time/Campus Location TBA}</b> <b>{Scheduled by Registrar's Office during Final Exam Period}</b>

[ ] denotes material covered in class on the date indicated. You are responsible for the (*self-study*) material even though these are not covered in class.

{ } denotes submission due in class on the date indicated

**PLEASE NOTE THAT THIS TIMETABLE IS TENTATIVE AND CLASSES MAY BE RESCHEDULED WITH NOTICE AT A LATER DATE**