

York University
School of Administrative Studies, LA&PS

AP/ADMS 4540 Financial Management
Summer 2024 Section B
(Tuesdays 4:00 PM – 7:00 PM, Location: DB 0005)

Course director:

Yanjin Zhang

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Office Hours:

In person: Atk 242, after class or by appointment

Online via Zoom: by appointment

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 (2, handwritten answers must be individually submitted)	: 20 %
Mid-Term Exam (2 hours; Sat, June 15, 7-9 pm, Location: TBA)	: 30 %
Final Exam (2.5 hours, Aug 17-24, Date/Time/Location TBA)	: <u>40 %</u>
Total	: 100%

Attendance and Participation:

Attendance (including active participation) is important for learning. You are expected to join each lecture and encouraged to participate actively in class discussion. **One** mark will be given for your index page, and the other **9 marks** will be based on attendance (0.5 for each of 10 sessions taken randomly starting from the third session, totaling 5 marks), and participation (4 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 classes regularly.

Assignments:

There are two assignments. You may discuss the questions conceptually with other students, **but you have to submit your individual answers to assignments *individually***. 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. Your answers to each assignment must be handwritten unless otherwise instructed in the question.

Exams:

Note: Several exam questions will be based on assignment questions. If you want to do well on the exams, you must work hard on the assignments!

The Mid-term Exam is of **2 hours duration** on Saturday, June 15, 7pm-9pm (**On Campus In Person, closed book, Location: TBA**). 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 **no 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 Administrative 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 submit this index page at the beginning of the third lecture.

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: Friday, Jun 14, 7-10pm, Online

Tutorials on financial ratios: To Be Announced, Online

Final Exam Review: Saturday, Aug 03, 2-5pm, Online

TENTATIVE COURSE CALENDAR

May 07	Lecture 1: <i>Deterministic Valuation I:</i> Review of TVOM, DCF Valuation, Subsidized Interest Rates (ODA) & LT Fin Plan [RWJR Chapters 4, 5, 6, Appendix 6A; <i>Chapters 1 & 2 (self-study)</i>]
May 14	Lecture 2: <i>Deterministic Valuation II:</i> Determinants of Interest Rates, Inflation & Interest Rates , Bond Duration & Refunding [RWJR Chapter 7, Appendices 7A, 7B (from course website)]
May 21	Lecture 3: <i>Risk and Return I:</i> Capital Market Stylized Facts & Mehra-Prescott Equity Premium Puzzle [RWJR Chapters 8, 12; <i>Appendix 8A(self-study)</i> , Ross Chapters 10 & 11] {Index Card Due}
May 28	Lecture 4: <i>Risk and Return II:</i> Markowitz Portfolio Theory & Separation Theorem, CAPM, and APT & CT: APT Equation [RWJR Chapter 13 and Appendix 13A; Ross Chapters 11 & 12]
Jun 04	Lecture 5: <i>Deterministic Capital Budgeting:</i> Finding IRR with Infinite CCATS, EAC, and Project Evaluation & PV CCATS in Alt. Tax Regimes [RWJR Chapters 9, 10, Appendix 10C] {Assignment 1 Tentatively Due on June 04 by 4pm ATK 289}
Jun 11	Lecture 6: <i>Capital Budgeting with Uncertainty:</i> Scenario, Sensitivity & Break-Even Analysis, DOL, Managerial Options & Capital Rationing [RWJR Chapter 11]
Jun 14	Midterm Review, 7-10pm, Online
Jun 15	Midterm Exam: 7-9 pm, In Person, Closed Book, Location: TBA
Jun 18	<i>No Class: Reading Week (June 17-21)</i>
Jun 25	Lecture 7: <i>Applications of Capital Budgeting Techniques:</i> Leasing and M&A [RWJR Chapters 22 and 23]
Jul 02	Lecture 8: <i>Cost of Capital:</i> WACC, Flotation (Underwriting) Costs, APV, EVA & MVA [RWJR Chapter 14, Appendices 14A, 14B]
Jul 09	Lecture 9: <i>Capital Structure:</i> M&M, Impact of Corporate Taxes, Financial Distress & Bankruptcy, Trade-Off & Pecking Order Theories, Windows of Opportunity, LBOs, IPOs, and Effects of Personal Taxes [RWJR Chapters 15 and 16 and Appendices 16A, 16B]
Jul 16	Lecture 10: <i>Dividends:</i> Dividend Dates, and Tax Policy Effects on Payout Policy [RWJR Chapter 17]
Jul 23	Lecture 11: <i>Derivatives:</i> Options, Forwards & Futures, Hedging, and Risk Management [RWJR Chapters 24 and 25]
Jul 30	Lecture 12: <i>Review of Regression Analysis and Review for Final Exam</i> {Assignment 2 Tentatively Due on July 31 by 4pm}
Aug 03	Final Exam Review: Saturday 2-5 pm, Online
	Final Exam Period: Aug 8-15 (Scheduled by Registrar's Office) In Person, Closed Book, Date/Time/Campus Location TBA

[] 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