

School of Administrative Studies, York University  
Financial Management  
AP/ADMS 4540  
Section B  
Fall 2024

Instructor: Saikat Sarkar, Ph.D., MBA. Professor of Finance  
Office: Atkinson, 430

Lecture Room: ACE 003  
Time: 4:00pm to 7:00pm

Email: My email address is sarkars@yorku.ca. If you contact me by email, use either your my.yorku.ca account, or the account shown on York records as your preferred email address. Include your section (4540B) in the subject line and include your full name and student number in the body of the message.

eClass Website: <https://eclass.yorku.ca/course/view.php?id=122532>

**Class Time:** You must write the midterm and final exams in-person on York's Keele campus – see below for more information.

**Office Hours:** You could come to my office during office hours (before 4:00pm). Please email me before you come to the office. However, my preference is for online sessions. Office hours will be held online using Zoom/Teams each Thursday from 4:00pm – 5:00pm.

**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</b> , Closed Book Mid-Term Exam (2 hours, Sat, Oct 19, 7pm-9pm)	: 30 %
<b>In Person</b> , Closed Book Final Exam (2.5 hours to be scheduled by RO in Dec)	: 45 %
<b>Total</b>	: <b>100%</b>

**Assignments: (Note: **\*\*More than half of each exam will be based on Assignments\*\***)**

### **Attendance and Participation:**

Attendance (including active participation) is important for learning. You are expected to join each 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.

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.**

**\*\*It is important that you learn from doing the Assignments. Please note that although each assignment is only weighted at 5% of the overall course grade, you will be tested on material covered in the assignments' questions, problems and statistical analyses on the midterm exam and final exam. Therefore, the weight of each assignment is really worth more than 20%, or more than 60% in total.\*\***

### **Exams:**

The Mid-term Exam is of **2 hours duration** on **(On Campus, In Person, Closed Book on Saturday, October 19, 7pm-9pm, 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 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:
  - Your full name.
  - York student number.
  - E-mail address and local phone number.
  - Hometown.
  - Intended major/concentration and career plans.
  - List of Finance courses taken at York and other colleges/universities (which received transfer credit from York).
  - Photocopy of your **York Card** or other form of acceptable photo ID.

**You are required to submit this index page to me by September 18. 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: Online on Friday, October 18, 7pm-10pm (tentatively scheduled)**

**Tutorials on financial ratios: (tentatively scheduled) – only attend ONE tutorial session. Friday, November 22, 7 - 10 pm, and Saturday, November 23, 10 am - 1 pm.**

**Final Exam Review: Online on Tuesday, December 3, 7pm-10pm (tentatively scheduled)**

## TENTATIVE COURSE CALENDAR

Sep 4	<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> ]
Sep 11	<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)]
Sep 18	<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 Thursday, September 19, by 11:59pm in eClass}</b>
Sep 25	<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> ]
Oct 2	<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> ]
Oct 9	<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 Due Date: Monday, October 7, by 4pm in eclass}</b>
	<i>No Class on Oct 16/17: Reading Week</i>
Oct 18	<b>Midterm Review: 7pm-10pm, Online (tentatively scheduled)</b>
Oct 19	<b>Midterm Exam: In Person, Closed Book, on Sat, Oct 19, 7pm-9pm, Campus Location TBA</b>
Oct 23	<b>Lecture 7: <i>Applications of Capital Budgeting Techniques:</i></b> Leasing and M&A [RWJR Chapters 22 and 23]
Oct 30	<b>Lecture 8: <i>Cost of Capital:</i></b> WACC, Flotation (Underwriting) Costs, APV, EVA & MVA [RWJR Chapter 14, Appendices 14A, 14B]
Nov 6	<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]
Nov 13	<b>Lecture 10: <i>Dividends:</i></b> Dividend Dates, and Tax Policy Effects on Payout Policy [RWJR Chapter 17]
Nov 20	<b>Lecture 11: <i>Derivatives:</i></b> Options, Forwards & Futures, Hedging, and Risk Management [RWJR Chapter 25] <b>{Assignment 2 Due Date: Monday, November 18, by 4pm in eClass}</b> <b>(Note: Online Financial Ratios Tutorials on November 22 and November 23)</b>
Nov 27	<b>Lecture 12: <i>Review of Regression Analysis</i> and <i>Review for Final Exam</i></b>
Dec 3	<b>Final Exam Review: Tuesday, December 3, 7pm-10pm, Online (tentatively scheduled)</b> <b>{Assignment 3 Due Date: Tuesday, December 3, by 4pm in eClass}</b>
December	<b>Final Exam: In Person, Closed Book, Date/Time/Campus Location TBA</b> <b>(Scheduled by Registrar's Office during Fall 2024 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**