

# ECON 4410: Corporate Finance

SECTION M  
WINTER 2025

## Course Information

**Course Instructor:** Tsvetanka Karagyozyova

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**Office:** 1082 Vari Hall

**Office Hours:** T 10 am - 11 am

**Course Time & Days:** T 11:30 am -2:30 pm

**Class Location:** HNE B15

**Course eClass site:** <http://eclass.yorku.ca>

**TA Contact Information:** TBA

## Land Acknowledgment

York University recognizes that many Indigenous Nations have longstanding relationships with the territories upon which York University campuses are located that precede the establishment of York University. York University acknowledges its presence on the traditional territory of many Indigenous Nations. The area known as Tkaronto has been care taken by the Anishinabek Nation, the Haudenosaunee Confederacy, and the Huron-Wendat. It is now home to many First Nation, Inuit, and Métis communities. We acknowledge the current treaty holders, the Mississaugas of the Credit First Nation. This territory is subject of the Dish with One Spoon Wampum Belt Covenant, an agreement to peaceably share and care for the Great Lakes region ([LA&PS Land Acknowledgement](#)).

## Course Overview

### Calendar Course Description

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 (CCE):** AP/ADMS 4540 3.00, GL/ECON 4315 3.00, SB/FINE 3100 3.00.

## Expanded Course Description

Two major questions addressed in Corporate Finance are as follows:

- 1) In what projects should the firm invest?
- 2) What sources of financial capital can the firm use for its investment activities?

ECON 4410: Corporate Finance is a continuation of ECON 4400: Financial Economics. In ECON 4400, we focused on the first major question: the capital budgeting decision. In ECON 4410, we'll address the second major question, the capital structure decision, and examine how it interacts with capital budgeting. We will cover the seminal Modigliani-Miller capital structure theory, along with more recent developments that relax its restrictive assumptions. Additionally, we will examine the role of market efficiency in shaping capital structure decisions and broader corporate strategy. Finally, we will also learn how to value derivative securities.

## Course Learning Objectives

Upon completing this course, you will be able to:

- describe and interpret fundamental theories of financial market equilibrium and analyze their implications for corporate decision-making
- display awareness of behavioral theories of human decision-making
- explain and evaluate modern theories, including the Modigliani-Miller theorem and trade-off theory, and analyze their implications for capital structure decisions.
- demonstrate how firms determine their optimal capital structure by balancing the trade-offs between debt and equity financing.
- identify the factors that affect the value of a firm and those that do not
- assess the impact of financial leverage on capital budgeting decisions, firm value and risk.
- describe concepts related to options, and how these financial instruments are used for hedging and speculation in the market.
- identify underlying assumptions of financial theories and assess the implications of changes to these assumptions
- apply concepts and models learned in class to solve financial problems in written mathematical form
- apply concepts and theories learned in class to case studies and real-world problems
- find, analyze, and communicate financial data effectively using tables, graphs, and statistics
- communicate quantitative and qualitative economic arguments clearly in writing
- identify the potential and limitations of financial theory in dealing with real-world problems

## Course Organization

The course is organized in a lecture format; however, your questions, comments and feedback are welcome at any point of time, both inside and outside the classroom. Technology is

extensively used for delivering instruction and interactive activities in the classroom and via the course website on eClass.

Please make it a habit of checking the course website on eClass on a regular basis for current course announcements, lecture handouts, homework, practice quizzes and exercises, and assigned readings. Although **lecture notes** will be provided on eClass ahead of time, they **are not** meant to be a comprehensive treatment of the material, nor are they **a substitute for the textbook or class attendance**.

**Class attendance is expected of all students.** You are responsible to make up for the material covered in class if you miss a lecture.

On eClass, there is a separate discussion board for each topic we cover in class as well as for general and course administration questions. There are economies of scale for me and a positive externality for your classmates if you post all questions, comments, and thoughts about the course content to the relevant eClass discussion board rather than e-mailing me. It is also a great learning experience for you to answer questions your classmates have posted. I monitor these boards and respond on a regular basis.

## Communication Guidelines

Please use your York email account for correspondence. Do not forget to sign your name.

## Required Course Materials

Ross, Stephen A., Randolph W. Westerfield, Jeffrey F. Jaffe, and Hamdi Driss, Corporate Finance, 9<sup>th</sup> Canadian Edition, McGraw-Hill Ryerson, 2022.

There are several purchase options you can choose from:

Course Learning Materials	Cost	Availability
Print text: ISBN10: 1260881377   ISBN13: 9781260881370	\$159.95	YorkU Bookstore <a href="#">Publisher website</a>
eBook (180-day access): ISBN10: 1265017549   ISBN13: 9781265017545	\$69.00	YorkU Bookstore <a href="#">Publisher website</a>
eBook (Lifetime): ISBN10: 1265017549   ISBN13: 9781265017545	\$99.00	YorkU Bookstore <a href="#">Publisher website</a>

You do not need to purchase access to Connect as I will not use it in the course. The text is available for a 24-hour loan at the Scott Library reserves. For those on a tight budget, second-hand copies or previous Canadian editions as well as U.S. editions of the text are widely available.

## Optional Course Materials

Course Learning Material	Cost	Availability
Readings, videos and interactive activities	Free	eClass
Specialized financial press (e.g., Financial Post, WSJ, Financial Times)	Free	YorkU Libraries
Bloomberg and specialized financial resources	Free	YorkU Libraries

## Course Evaluations

There are **two** grading schemes. The first one is based on a midterm, quizzes, and a final exam. Alternatively, you have the option to participate in a group project, in which case the second grading scheme applies. Your **course grade will be determined by the higher of your grades**, considering both the grading scheme with projects and the grading scheme without projects.

I strongly recommend considering the second grading scheme. Teamwork skills are valued both in the professional world and academia. If you plan to apply to a graduate business program, your ability to collaborate in a team is a criterion that your references may have to evaluate.

## Course Evaluation Chart

Assessment	Due Date	Weight %	
		Option 1	Option 2
<b>Grading Scheme 1</b>			
Midterm Exam	Feb. 25	35%	0%
Online Quizzes	During the term	10%	10%
Final Exam*	TBA	55%	90%
		<b>100%</b>	<b>100%</b>

Assessment	Due Date	Weight %	
		Option 1	Option 2
<b>Grading Scheme 2</b>			
Midterm Exam	Feb. 25	30%	0%
Online Quizzes	During the term	10%	10%
Group Projects**	During the term	10%	10%
Final Exam*	TBA	50%	80%
		<b>100%</b>	<b>100%</b>

**Note:** \*Exceptionally strong performance on the cumulative final exam is taken into consideration. If your grade on the final exam is higher than the grade on the midterm, the weight of the midterm exam will be transferred to your final exam under both grading schemes.

\*\* Group projects can either positively impact your grade or have no effect at all.

More succinctly, your course grade will be determined based on the higher of the two grading schemes outlined below:

**Grade (Scheme 1)** = Max{(35% Midterm + 10% Quizzes + 55% Final), (10% Quizzes + 90% Final)}

**Grade (Scheme 2)** = Max{(30% Midterm + 10% Quizzes + 10% Project + 50% Final), (10% Quizzes + 10% Project + 80% Final)}

**Up to one bonus point** will be assigned if you are on the margin (e.g., your course grade is 79) for regular and insightful **posts on the eClass discussion boards** and participation in **in-class activities**. There is no make-up for such activities. I also give significant weight to class participation when asked to serve as a reference for graduate school or job applications. I do not commit to serve as a reference for students who did not attend classes.

Final course grades may be adjusted to conform to Program or Faculty grades distribution profiles.

**Concerns about apparent grading errors will be considered during the term, but requests for “extra credit” or other special considerations in assigning grades will be ignored.**

## Assessment Descriptions

**Midterm Exam:** The midterm will be held in person during class time on **Feb. 25**. This is a closed-book, closed-notes exam.

**Quizzes:** For each chapter we cover in class, there will be an **online** quiz on eClass. Online quizzes are timed and navigation between questions is sequential. Each quiz will be assigned upon covering the chapter in class and you will have one week to complete the quiz at a convenient time for you. You can attempt each chapter quiz as many times as you wish. The highest grade will count towards your course grade.

**Group Projects:** There will be 3 group projects, but only the best two count towards your course grade. Each project is worth 5%. You are responsible to form a group. Each group should have no fewer than 4 people and no more than 5. All group members will receive the same grade on the project. **Individual projects will not be graded.** Detailed instructions on the group assignments and deadlines will be provided in class.

**Final Exam:** The final exam is cumulative with a greater emphasis on the material covered after the midterm. This is a closed-book, closed-notes exam. The final exam date, time and location will be set by the Registrar's Office during the final examination period, April 8-25.

**Homework Problem Sets:** A homework problem set will be made available on eClass for each chapter we cover in class. Homework problems sets will not be graded but you are encouraged to work on the assigned problems to reinforce the course material and prepare for exams. I tend to select some of these problems for your exams.

## Missed Exams and Deadlines

**Quizzes:** There will be no extensions to the quiz deadlines for any reason. The lowest quiz grade will be dropped to account for any unexpected circumstances.

**Midterm Exam:** There will be **no make-up midterm exam** for any reason. **The midterm exam is not optional.** If you **miss the midterm exam, you will receive a grade of zero** (that is, your course grade will be equal to 10% Quizzes + 55% Final, assuming you choose not to work on the group project) unless you email me within one week of the exam date with a detailed explanation of the reasons for missing the midterm exam. While an **Attending Physician's Statement is not mandatory, it is highly recommended.**

If you **miss the midterm exam for a valid reason** (e.g., medical emergency) and you email me within one week of the date of the midterm, your final exam will carry the extra weight (e.g., 90% instead of 55% if you choose not to work on the group projects).

**Final:** For students who **miss the final**, the [Department of Economics Guidelines on Deferred Standing](#) apply. In such cases, students should submit a Mach form request online at

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

The date and time of the deferred exam will be set at a later date. Students who may require further extensions will have to submit a formal petition to the Faculty.

## Grading

The grading scheme for this course conforms to the 9-point system used in undergraduate programs at York University. For a full description of the York grading system, visit the York University [Academic Calendar](#).

Grade	Grade Point	Percent Range	Description
A+	9	90-100	Exceptional
A	8	80-89	Excellent
B+	7	75-79	Very Good
B	6	70-74	Good
C+	5	65-69	Competent
C	4	60-64	Fairly Competent
D+	3	55-59	Passing
D	2	50-54	Marginally Passing
E	1	(marginally below 50%)	Marginally Failing
F	0	(below 50%)	Failing

## Course Schedule

### Important Dates

Explore the York University [Academic Calendar](#) to find a list of important dates, such as class start/end dates, drop deadlines, holidays and more.

**Note:** The list of topics below is tentative and subject to change. Exam dates are firm.

## Weekly Course Schedule

Week	Topic
Jan. 7	Ch. 11: Risk and Return: The CAPM (Review)
Jan. 14	Ch. 13: Risk, Return, and Capital Budgeting
Jan. 21	Ch. 14: Corporate Financing Decisions and Efficient Capital Markets
Jan. 28	Ch. 16: Capital Structure: Basic Concepts
Feb. 4	Ch. 17: Capital Structure: Limits to the Use of Debt
Feb. 11	Ch. 18: Valuation and Capital Budgeting for the Levered Firm
Feb. 25	<b>Midterm Exam</b>
March 4	Ch. 23: Options and Corporate Finance: Basic Concepts
March 11	Ch. 24: Options and Corporate Finance: Extensions and Applications Ch. 25: Warrants and Convertibles
March 18	Ch. 25: Warrants and Convertibles
March 25	Ch. 26: Derivatives and Hedging Risk
April 1	Ch. 30: Mergers and Acquisitions Ch. 32: International Corporate Finance

## Course Policies

Please review the course policies in this section. All students are expected to familiarize themselves with the following information:

- [Student Rights & Responsibilities](#)
- [Academic Accommodation for Students with Disabilities](#)

## Academic Integrity

It is our joint responsibility to strive to maintain academic integrity to the highest extent possible. Academic integrity is the pillar of higher education and a fundamental and important value of York University. Breaches of academic integrity such as cheating on exams affect all of us adversely, including the cheaters - your degree is as valuable as the reputation for academic honesty of our institution. All suspected instances of academic dishonesty in this course will be reported to the appropriate university authorities.

To maintain a fair and honest learning environment, you are responsible for understanding and upholding academic integrity in all courses and academic activities. You are encouraged to connect with reliable [on-campus resources](#) that support your coursework and academic



honesty. To better understand the serious consequences of breaching academic honesty policies, familiarize yourself with the [Senate Policy on Academic Conduct](#). You can learn more about upholding academic integrity in your courses by exploring [Guiding Principles for LA&PS](#) and [Academic Integrity for Students](#).

Always remember that I am working on your side, making sure you understand the meaning and importance of academic integrity. If you ever have any questions or concerns, please do not hesitate to speak with me.

The following quote by Madison Sarratt (1891-1978), an academic and administrator at Vanderbilt University, beautifully captures my personal stance on academic integrity:

*Tomorrow I will give you two examinations, one in trigonometry and one in honesty. I hope you will pass them both, but if you must fail one, let it be trigonometry, for there are many good people in this world today who cannot pass an examination in trigonometry, but there are no good people in the world who cannot pass an examination in honesty.*

## Generative Artificial Intelligence (GenAI)

Students are not permitted to use generative artificial intelligence (AI) in this course. Submitting any work created (in whole or part) through the use of generative AI tools will be considered a violation of York University's [Senate Policy on Academic Conduct](#). Using AI apps such as ChatGPT, GPT-3, DALL-E, translation software among others to complete academic work **without your instructor's knowledge or permission**, is considered to be a breach of academic honesty. For more information, please review [AI Technology & Academic Integrity: Information for Students](#).

## Turnitin

To promote academic integrity in this course, the group leader will be required to submit the group projects to Turnitin (via the course's eClass site) for a review of textual similarities and the detection of possible plagiarism. In so doing, students will allow their material to be included as source documents in the Turnitin.com reference database, where they will be used only for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin service are described on the Turnitin.com website. York students may opt out of using Turnitin. If you wish to opt out, you should contact me as soon as possible.

## Accessibility

York University is committed to creating a learning environment which provides equal opportunity to all members of its community. If you anticipate or experience any barriers to learning in this course, please discuss your concerns with your instructor as early as possible. For students with disabilities, contact [Student Accessibility Services](#) to coordinate academic accommodations and services. Accommodations will be communicated to Course Directors through a Letter of Accommodation (LOA). Accommodations for tests/exams normally require three (3) weeks (or 21 days) before the scheduled test/exam to arrange.

## Religious Observance Accommodation

York University is committed to respecting the religious beliefs and practices of all members of the community and making reasonable and appropriate [accommodations to adherents for observances of special significance](#). Should any of the dates specified in this syllabus for course examinations, tests, or deadlines conflict with a date of religious significance, please contact the instructor within the first three (3) weeks of class. If the date falls within the formal examination periods, you must complete and submit a [Religious Accommodation for Examination Form](#) at least three (3) weeks before the start of the exam period.

## Intellectual Property

Course materials are designed for use as part of this particular course at York University and are the intellectual property of the instructor unless otherwise stated. Third-party copyrighted materials (such as book chapters, journal articles, music, videos, etc.) have either been licensed for use in this course or fall under an exception or limitation in Canadian copyright law. Students may not publish, post on an Internet site, sell, or otherwise distribute any course materials or work without the instructor's express permission. Course materials should only be used by students enrolled in this course.

Copying this material for distribution (e.g., uploading material to a commercial third-party website) may lead to a charge of misconduct according to York's [Code of Student Rights and Responsibilities](#), the [Senate Policy on Academic Conduct](#), and/or legal consequences for copyright violations.

## Student Support and Resources

York University offers a wide range of student supports resources and services, including everything from writing workshops and peer mentorship to wellness support and career guidance. Explore the links below to access these on-campus resources:

- Current students at York can register for a Bloomberg account at Bronfman Business Library and complete [three professional development certificates offered by Bloomberg free of charge](#). This [guide](#) will help you create a Bloomberg account. In person [assistance](#) is available during reference hours, Monday – Thursday, 1-4pm, and Friday, 1-3pm.
- [Academic Advising](#) is available to provide students support and guidance in making academic decisions and goals.
- [Student Accessibility Services](#) are available for support and accessibility accommodation when required.
- [Student Counselling, Health & Wellbeing](#) offers workshops, resources, and counselling to support your academic success.
- [Peer-Assisted Study Sessions \(PASS\) Program](#) provides student study sessions for students to collaborate and enhance their understanding of course content in certain courses.

- [Student Numeracy Assistance Centre at Keele \(SNACK\)](#) supports students in courses involving math, stats, and Excel.
- [The Writing Centre](#) provides multiple avenues of writing-based support including drop-in sessions, one-to-one appointments, a Multilingual Studio, and an Accessibility Specialist.
- [Centre for Indigenous Student Services](#) offers a community space with academic, spiritual, cultural, and physical support, including writing and learning skills programs.
- [ESL Open Learning Centre \(OLC\)](#) supports students with building proficiency in reading, writing, and speaking English.
- [Learning Skills Services](#) provides tips for time management, effective study and learning habits, keeping up with coursework, and other learning-related supports.
- [Learning Commons](#) provides links to supports for time management, writing, study skills, preparing for exams, and other learning-related resources.
- [Roadmap to Student Success](#) provides students with timely and targeted resources to help them achieve academic, personal, and professional success.
- [Office of Student Community Relations \(OSCR\)](#) is responsible for administering the [Code of Student Rights & Responsibilities](#) and provides critical incident support.
- [Peer Mentorship](#) helps students transition through their first year by connecting them with upper-year students. The mentors can help find supports and resources. They also lead a community hub on campus.
- [goSAFE](#) is staffed by York students and can accompany York community members to and from any on-campus location, such as the Village Shuttle pick-up hub, parking lots, bus stops, or residences.

For a full list of academic, wellness, and campus resources visit [Student Support & Resources](#).