



General Course Information

Instructor: J. A. (John) D'Amato

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Office Location: MacKinnon 734
Ext. 53948

Office Hours: Hours will be posted on Courselink

Department/School:
College of Business and Economics

TA's

Information will be found on Courselink

Class Schedule:

Tuesdays 7:00 – 10:00 pm

Room: MINS 300

Pre-requisites: ECON*1100, (1 of ECON*2310, MATH*1000, MATH*1030, MATH*1080, MATH*1200), (1 of ECON*2740, PSYC*1010, PSYC*2010, STAT*2040, STAT*2050, STAT*2060, STAT*2080, STAT*2090, STAT*2100, STAT*2120)

Course Description

This course deals with the theory of corporate finance. Financial managers of firms are faced with two basic problems: how to invest in the business and how to raise capital to finance investments. The first objective of this course is to provide you with a general understanding of the time value of money; valuation of projects, firms, and securities; net present value; risk; and the capital asset pricing model. The second objective is to provide some insight into the financing decisions of the firm. In this portion of the course we will cover capital structure management and the various types of financial instruments that are commonly available.

Indicative Content

Reading Assignments:

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|---|----------------------|
| 1. The goals and functions of finance | B4M, Chapters 1-2-3 |
| 2. Discounting and present value | B4M, Chapter 5 |
| 3. Valuation of bonds and stocks | B4M, Chapters 6-7 |
| 4. Weighted Average Cost of Capital | B4M, Chapters 13 |
| 5. Basics of capital budgeting | B4M, Chapters 8-9-10 |
| 6. CAPM, Capital budgeting and risk | B4M, Chapter 12 |
| 7. Financing the Corporation | B4M, Chapters 14-15 |
| 8. Debt policy/capital structure theory | B4M, Chapter 16 |
| 9. Leasing | B4M, Chapter 17 |
| 10. Cash and Inventory | B4M, Chapter 21 |

Course Assessment

			Associated Learning Outcomes	Due Date/ location
Assessment 1:	15%	<i>In-Class Quizzes</i>	<i>See below</i>	<i>After Chapters 1,2,3; Chapters 6 and 7; Chapters 14 and 15</i>
Assessment 2:	15%	<i>Numerical Problem Assignments</i>	<i>See below</i>	<i>After Chapters 6 and 7; Chapter 13</i>
Assessment 3:	35%	<i>Mid-Term Exam</i>	<i>See below</i>	<i>Tuesday, Feb. 10/14 – In class</i>
Assessment 4:	35%	<i>Final Exam</i>	<i>See below</i>	<i>Tuesday, April 2/14 – In class</i>
Total	100%			

Teaching and Learning Practices (*as appropriate*)

Lectures:

All quizzes, assignments, and exams are based on the in-class lectures, end-of-chapter problems, and text readings. It is strongly advised that students attend the lectures as scheduled.

Labs:

N/A

Seminars:

N/A

Workshops:

N/A

Site/Field

Trip: N/A

Course Resources

Required Texts:

Fundamentals of Corporate Finance, 5th Canadian Edition, by Brealey, Myers, Marcus, Maynes, Mitra (McGraw-Hill, 2012), hereafter referred to as B4M. Each new text includes access to Connect, an online study and testing program, at no additional cost. In lieu of a hard copy text, Connect can be purchased separately and includes an eBook.

Required Calculator:

Texas Instruments BA 2+ (Standard) Financial Calculator.

Other Resources:

Outside readings as assigned in Lecture. You are required to consult the Courselink Content regularly for this course. Selected numerical problems will be disseminated online, as well as some publicly-available readings.

Additional Costs: N/A

Course Policies

Grading Policies

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds-proc.shtml>

Course Policy on Group Work: N/A

Course Policy regarding use of electronic devices and recording of lectures:

Cell phones and any other electronic devices must be TURNED OFF during the in-class lectures. If you have an urgent matter that requires your cell phone to be turned on during class, inform the professor prior to the commencement of the lecture. Any electronic devices/cell phones will not be allowed to be on your person during exam sittings - they will be required to be turned off and placed with your other personal belongings (backpacks, etc.) at the front of the exam room. If you have concerns about the security of certain items, DO NOT BRING THEM TO THE EXAM.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email sas@uoguelph.ca or see the website: <http://www.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is March 6th, 2015. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Additional Course Information

Quizzes (15%):

There will be three, 20 minute, in-class multiple choice quizzes worth 15% of the final grade. These will be scheduled after each section of the course as noted under Course Assessment. The professor will give a ONE WEEK notice of an upcoming quiz, and this will also be posted on Courselink. The best 2 out of 3 quizzes will count. Make-up quizzes will not be given. If you miss more than one quiz, it will count as a zero. Quizzes will be based on text chapter readings.

Numerical Problem Assignments (15%):

There will be two, 30 minute, assignments worth 7.5 marks each. These will be scheduled after each section of the course as noted under Course Assessment. The professor will give a ONE WEEK notice of an upcoming assignment, and this will also be posted on Courselink. Make-up assignments will not be given. If you do not submit the assignments by the hard deadline, they will count as a zero. Assignments will be based on end-of-chapter problems.

Midterm (35%):

The Midterm exam will be given in the class meeting before the Winter break (Feb. 10/14). Makeup exams will only be given if the student has a documentable illness or compassionate reason for missing the exam. Understandably, some students participate in university athletics, university clubs, or have other compelling reasons for not being able to write an exam on that date. Should you have a conflict with the midterm, communicate this to the professor as soon as possible so that you can be approved to write the make-up exam. If you miss the midterm exam and cannot write the makeup exam, the weight of the midterm will be placed on the final exam.

Final Examination (35%):

A student who has a time conflict with the final exam (see above) should not enroll in the course. The Final exam will cover material from the second half of the course. Should you miss the final examination, please contact your Program Counselor's office for information on how to proceed.

Some details of this outline may change as a result of circumstances such as weather cancellations, etc. Instructor will advise with due notice of any changes to scheduled evaluations.

Course Learning Outcomes

Skills

Successful students will have demonstrated further development in their abilities to:

- 1) Utilize various analytical and intuitive decision making tools including optimization and approximation tools.
- 2) Analyze economic and financial data to plan and formulate financial management/ investment decisions.
- 3) Calculate various quantitative cost indicators using the advanced worksheets on the financial calculator.
- 4) Utilize problem solving techniques as applicable to managing a firm's financial operations.

Knowledge

- 1) Microeconomic Modeling: Students will understand the meaning and implications of efficient markets. This will be assessed through exams.
- 2) Understanding of Specific Markets: Students will understand the institutions and workings of primary and secondary stock and bond markets. This will be assessed through exams.
- 3) Financial Asset Pricing, Corporate Finance and Risk Analysis: Analyze bond and stock valuations. Understand Corporate Finance and how risk affects valuations of bonds, stocks, and investment projects. This will be assessed through quizzes and exams.
- 4) Numerical Problem Solving: Students will have to perform a variety of financial calculations including Present Value calculations, Bond and Stock valuation, NPV analysis, Capital Asset Pricing Model calculations, and Firm valuation under different capital structures. This will be assessed through quizzes and exams.