

UNIVERSITY OF GUELPH
DEPARTMENT OF ECONOMICS AND FINANCE
College of Management and Economics

ECON*3460 - Theory of Finance
Instructor: G. Jensen
Office: MCKN 746, Ext: 52357

Fall 2011

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<http://www.economics.uoguelph.ca/student-responsibilities-policies.asp>

COURSE OUTLINE

Description:

This course surveys the basic theory underlying the investment and financing decisions of a wealth maximizing corporation. These decisions are shown to be interdependent. Both uncertainty and certainty models are examined. This course makes extensive use of the text.

Required Texts:

Fundamentals of Corporate Finance, Brealey, Myers, Marcus, Maynes, Mitra, 4th Canadian Edition, McGraw-Hill, 2009.

Office Hours: Tues., Thurs. 1:00-2:30 pm

Method of Evaluation:

How a student is evaluated is the most telling aspect of the course outline. The goals of the instructor have been translated into an incentive structure (i.e. marks). These goals are thought to be congruent with many of the learning objectives found in the University calendar. Specifically the objectives 1) Literacy, 2) Numeracy, 5) Moral Maturity, 6) Aesthetic Maturity and 7) Understanding of Forms of Inquiry will be addressed.

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Reading Assignments:

Topics

- | | | |
|-----|--|----------------|
| 1. | The goals and functions of finance | Chapters 1-2-3 |
| 2. | Discounting and present value. | Chapter 4 |
| 3. | Valuation of bonds and stocks | Chapters 5-6 |
| 4. | Basics of capital budgeting | Chapters 7-8-9 |
| 5. | CAPM and the APT | Chapters 10-11 |
| 6. | Capital budgeting and risk | Chapters 11-12 |
| 7. | Financing | Chapters 13-14 |
| 9. | Debt policy and the capital structure decision | Chapter 15 |
| 10. | Dividend policy and the dividend controversy | Chapter 16 |

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1. Midterm
Tuesday, October 25th 25%
For details see section called Midterm.
2. Assignment#1 **Due Oct. 11th, 2011** 20%
3. Assignment#2 **Due Nov. 15th, 2011** 25%
4. Final Examination – **Dec. 16th, from 7:00-9:00 pm** 30%

For more details about the Final Examination see below.

1. Midterm:
Testing chapters 1-9. The test will take place in class.
2. The assignments will be posted online. Any late assignments will be penalized 10% per day.
3. Final Examination:
The final will cover chapters 10-16. The questions will be multiple choice.

You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. The Department of Economics policy regarding the conduct and use of these evaluations will be found at:

<http://www.economics.uoguelph.ca/course-evaluation.asp>