



## General Course Information

**Instructor:** Nancy Bower

*Email* [nbower@uoguelph.ca](mailto:nbower@uoguelph.ca)

*Office Location* MacKinnon 708

*Office Hours* Monday 2:30-4:30, Thursday 10:15-11:15, or by appointment

*Department/School* Department of Economics and Finance

**Class Schedule:** Section 1: TT 2:30-3:50 ALEX Room 100  
Section 2: TT 11:30-12:50 ALEX Room 100  
Section 3: MWF 1:30-2:20 ALEX Room 100

**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 is an economics course that 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, as well as dividend policy.

## Indicative Content

### Topics

1. The goals and functions of finance
2. Discounting and present value.
3. Valuation of bonds and stocks
4. CAPM
5. Capital budgeting and risk
6. Basics of capital budgeting
7. Financing
8. Debt policy and the capital structure decision
9. Dividend policy and the dividend controversy

### Reading Assignments:

- B4M, Chapters 1-2-3
- B4M, Chapter 5
- B4M, Chapters 6-7
- B4M, Chapters 11-12
- B4M, Chapters 12-13
- B4M, Chapters 8-9-10
- B4M, Chapters 14-15
- B4M, Chapter 16
- B4M, Chapter 18

## Course Assessment

			<b>Associated Learning Outcomes</b> (see p. 6)	<b>Due Date/ location</b>
<b>Assessment 1:</b>	20%	Maple TA Assignments (Best 10 of 11 assignments @ 2% each, no extensions or make-ups)	4, 6	Tuesdays 5pm – Jan 19 – April 5
<b>Assessment 2:</b>	25%	Midterm Examination	2, 3, 4, 6	Friday, March 4, 7-9pm, ROZ 101 and 103
<b>Assessment 3:</b>	20%	Company Analysis: Dividend Discount Model - 7% PEAR peer review CAPM, WACC, Memo – 13% PEAR peer review	1, 5, 7, 8, 9	PEAR Feb 24, 5pm Mar 11, 5pm Mar 16, 5pm Apr 1, 5pm
<b>Assessment 4:</b>	35%	Final Exam	2, 3, 4, 6	Mon. Apr. 18, 7-9pm Location TBA
<b>Total</b>	<b>100%</b>			

## Teaching and Learning Practices

### Lectures

Lectures will closely follow the topics in the textbook, although for some topics lectures will be more in depth than the associated readings in the text. I will use the projector in conjunction with either the document camera or a computer (using powerpoint slides) to deliver most of the course material. The powerpoint slides will be posted on courselink, but are by no means a substitute for the material covered in class. Lectures are most useful if you have first read the textbook sections related to the day's lectures so that you are acquainted with the terminology and notation used.

I strongly feel that the best way for you to complete the learning process is for you to do problems. To facilitate this I will be assigning Maple TA assignments and an individual project as well as non-graded exercises during the semester. Successful completion of all of these is the best way to achieve the learning objectives for this course.

## Course Resources

### Required Texts:

Textbook: Fundamentals of Corporate Finance, 5<sup>th</sup> Canadian Edition, by Brealey, Myers, Marcus, Maynes, Mitra (McGraw-Hill, 2012), hereafter referred to as B4M.

You may use an earlier edition of the textbook, but I will not be supporting the textbook (you will be responsible for making sure the chapter readings and exercises are the same). Both the 4<sup>th</sup> and 5<sup>th</sup> edition of the text will be available at the reserve desk of the library to help you find the differences between the editions.

Each new text includes access to *Connect*, an online study and testing program, at no additional cost. I will NOT be assigning problems from *Connect*, but I will post an access code so you may use the learning tool if you wish. In lieu of a hard copy text, *Connect* can be purchased separately and includes an eBook.

## CourseLink (D2L):

This course will make extensive use of the D2L website. This should be the first place you look to find information about the course. It includes several sections.

**Home Page:** Here is where you find out about what is currently happening in the course and announcements that pertain to all members of the class. Information about office hours will be posted here.

**Content:** This section contains the course outline, powerpoint slides, suggested exercises, information about the company analysis, and links to interesting articles relating to the course.

**Discussion:** In this section you can connect with your classmates and chat about what you are doing in the course. I do not monitor the discussion pages, so any questions about the course should be emailed directly to me.

**Grades:** You should check the grades section to find your marks and to make sure that they have been entered correctly.

**Links:** Here you will find links to sites that you will find useful in your company analysis and interesting sites or videos related to the course content.

**Maple TA:** A link to the Maple TA website for completing your assignments.

**PEAR:** A link to the PEAR website for submitting your company analysis and for reviewing other students' work. Make sure you check CourseLink frequently for updates.

## Maple TA:

Assignments in this course will make use of the online application **Maple TA**, which is accessible from the Maple TA link, located in the top navigation bar in CourseLink. Click the Maple TA link in the top navigation bar of the course website, or enter the following web address in your browser: <http://www.uoguelph.ca/mapleta/login/login.do>. (If accessing Maple TA via the direct web link, make sure to bookmark the page in your web browser, so you can easily access it later).

Please review the Maple TA Orientation video which can be found in CourseLink.

## PEAR:

PEAR (Peer Evaluation, Assessment, and Review) is a tool that you will be using in conjunction with your company analysis that will allow you to evaluate your classmates' work.

## Course Policies

### Grading Policies

**Final Exam Conflicts:** Any student who has a time conflict with the final exam may not register for this course. Note the final exam day and time in the Course Assessment section above. Please check immediately to make sure you do not have a conflict.

**Maple TA Assignments:** These are completed online and your marks are recorded automatically. Maple TA assignments are graded online and you will be able to see your marks and feedback. From time-to-time the marks for the Maple TA assignments will be uploaded to CourseLink; however you can always access your marks in Maple TA.

Maple TA Assignments must be completed before the assignment closes. Requests for extensions will be considered only in extreme circumstances. Computer related problems are not valid reasons for an extension; it is your responsibility to begin each assignment well in advance of when it closes.

Within Maple TA you will find three types of assignments:

- **Practice:** These assignments will be available in advance of the graded assignments and provide you with an opportunity to practice for the assignments without being graded. A practice version of each assignment will be open Tuesday through Friday. Then it will close and the Graded version will open. The practice assignments will be labelled in Maple TA as "Assignment 2 Practice", for example. For the practice assignments you have an unlimited number of attempts. These assignments will not count for marks.
- **Graded:** These assignments are a required part of the assessment in this course and will count toward your final mark. Generally each graded Maple TA Assignment will be open from 5:00pm Friday to 5:00pm Tuesday. Consult the table below for the specific open and close dates of each assignment.
- **Review:** These assignments will be available after graded version has been completed and are provided to you as

practice for the final exam. No marks are associated with these assignments.

You must complete each assignment by the time listed on the **Schedule**, so plan ahead – do not leave your assignment to the last minute. Graded assignments in Maple TA will be called “Introductory Assignment Graded”, “Assignment 1A Graded” “Assignment 1B Graded” and so on. Each assignment mark will be the best of up to 5 attempts; the assignments are algorithmically generated, so you will find that each attempt will be a different set of questions. Each week the sum of the best of 5 attempts of the A and B assignment will be recorded as your assignment mark. These 10 marks along with the mark you get on the Introductory Assignment will constitute your 11 marks. The best 10 out of your 11 assignment marks will count for your final mark. Each is worth 2% giving a total of 20% for assignments.

### Maple TA Assignment Schedule

<b>Tentative Schedule of Dates</b>			
<b>All assignments open/close at 5:00 PM on the dates given</b>			
<i>Assignment Number</i>	<i>Practice Opens</i>	<i>Practice Closes and Graded Opens</i>	<i>Graded Closes and Review Opens</i>
Introductory Assignment	Jan 11	Jan 15	Jan 19
Assignment 1	Jan 19	Jan 22	Jan 26
Assignment 2	Jan 26	Jan 29	Feb 2
Assignment 3	Feb 2	Feb 5	Feb 9
Reading Week			
Assignment 4	Feb 9	Feb 19	Feb 23
Assignment 5	Feb 23	Feb 26	Mar 1
Assignment 6	Mar 1	Mar 4	Mar 8
Assignment 7	Mar 8	Mar 11	Mar 15
Assignment 8	Mar 15	Mar 18	Mar 22
Assignment 9	Mar 22	Mar 25	Mar 29
Assignment 10	Mar 29	Apr 1	Apr 5

**Company Analysis:** You will be assigned a company by email and will collect data and perform calculations related to that company. This will allow you to become familiar with some of the data sources available on line and will provide you the opportunity to perform some of the calculations discussed in class and to become familiar with the use of a spreadsheet program. Information related to this assignment will be available on courselink. The analysis will be submitted in two parts, as outlined in the schedule below. Late assignments will be assessed a 10% penalty per day late up to a 50% penalty. In addition, after each submission, you will be evaluating your peers’ work using the PEAR assessment tool. Students who do not do the evaluations will lose half their marks on that portion of the assignment. The skills associated with this analysis are incredibly important and **you must complete the analysis to pass the course**. If you have not turned in your analysis by Friday, April 8, your final mark will be at most 48.

<b>Company Analysis Due Dates</b>		
1 <sup>st</sup> Submission	Dividend Discount Model	February 24
PEAR Review of 1 <sup>st</sup> Submission		March 11
2 <sup>nd</sup> Submission	CAPM, WACC, Memo	March 16
PEAR Review of 2 <sup>nd</sup> Submission		April 1

**Midterm:** The Midterm exam will be given on Friday, March 4, 7-9 pm. Make-up exams will only be given if the student has a documentable illness or compassionate reason for missing the exam. I realize that some students participate in university athletics, university clubs, or have other compelling reasons for not being able to write an exam on that date. Let me know as soon as possible if you have a conflict with the midterm so you can be approved to write the make-up exam. If you miss the midterm exam and cannot write the make-up exam, the weight of the midterm will be placed on the final exam.

See the following University policies:

<http://www.uoquelp.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml>

Please note that these policies are binding unless academic consideration is given to an individual student.

## Course Policy on Group Work:

While I do encourage students to work together to understand the course material, I expect that any submitted work (Maple TA assignments, Company analysis) is the student's own work.

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

Electronic recording of classes or the use of cameras (including cell phones and iPads) in class is expressly forbidden without consent of the instructor. When recordings are permitted they are solely for the use of the authorized student and may not be reproduced, or transmitted to others, without the express written consent of the instructor.

## Contacting your Instructor

My preference if you need to talk with me is that you do so before or after class or during scheduled office hours. If you cannot make my office hours I will try to find time during the week to see you. If I am in my office and you drop by with a question I will usually be able to answer short questions. I would ask that you communicate with me via email *only* concerning course administrative matters that have not already been answered during the lecture, or are not answered on the course outline or on Courselink (e.g. use email to let me know you have missed an exam due to illness, you are having difficulties accessing information on the course homepage, or pointing out problems or errors on the course homepage). Answering substantive economic questions using email where mathematics or figures may be needed is extremely tedious so keep this in mind when emailing economic questions to me. I can be much more helpful if you see me in person.

If you are having issues with Maple TA, you should contact the TA in charge of that portion of the course. Contact information will be on courselink.

## 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/2015-2016/>

### 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 the Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email [csd@uoguelph.ca](mailto:csd@uoguelph.ca) or see the website: <http://www.csd.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 11, 2016. For regulations and procedures for Dropping Courses, see the Academic Calendar:

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

## Course Learning Outcomes

The Department of Economics and Finance *Learning Objectives (knowledge, skills, competencies)* for this course:

### Knowledge and Understanding:

- 1) **Statistical and Econometric Methodology:** Students will **apply** regression analysis to **estimate** beta in their company **analysis**.
- 2) **Microeconomic Modeling:** Students will **understand** the meaning and implications of efficient markets. This will be assessed through exams.
- 3) **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.
- 4) **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 assignments and exams.

### Discipline/Professional and Transferable Skills:

- 5) **Written Communication:** Students will prepare spreadsheets and a memorandum to **summarize** the results of their company **analysis**.
- 6) **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 assignments and exams.
- 7) **Problem Solving in a Real World Context:** Students will **collect** data and **apply** the content and **analysis** learned in the course to a Canadian company in their company **analysis**.
- 8) **Computer Skills:** Students will **collect** data from various financial websites and use **excel** (or some other spreadsheet program) to perform **calculations** and **regressions** and to **graph** their data in their company **analysis**.
- 9) **Professional and ethical awareness and conduct:** The company analysis will be assessed a penalty of 10% for each day late as a means of ensuring **time management** skills and students will be assessed a penalty for not completing their PEAR reviews to ensure proper **professional conduct**.