

**Business I601  
Managing Financial Resources  
Fall 2017  
Course Outline**

**DeGroot School of Business  
McMaster University**

**COURSE OBJECTIVE**

The objective of the course is to introduce students to both the fundamental concepts and practical issues in business finance and accounting. This course aims to improve students' skills in interpreting, analysing, and applying accounting and financial information in order to make superior financial decisions.

**INSTRUCTOR AND CONTACT INFORMATION**

Section:	C01 M W 11:30–13:30	C02 M W 14:30–16:30	C03 T TH 8:30-10:30	C04 T 14.30 – 16.30 TH 11:30 – 13:30
Class	RJC 214	RJC 236	RJC 313	RJC 427
Location:				
Instructor:	Dr. P. Ralevic / Dr. J. Qiu	Dr. P. Ralevic / Dr. J. Qiu	Dr. P. Ralevic / Dr. J. Qiu	Dr. P. Ralevic / Dr. J. Qiu
Email:	<a href="mailto:ralevicp@mcmaster.ca">ralevicp@mcmaster.ca</a> ; <a href="mailto:qiuji@mcmaster.ca">qiuji@mcmaster.ca</a>	<a href="mailto:ralevicp@mcmaster.ca">ralevicp@mcmaster.ca</a> ; <a href="mailto:qiuji@mcmaster.ca">qiuji@mcmaster.ca</a>	<a href="mailto:ralevicp@mcmaster.ca">ralevicp@mcmaster.ca</a> ; <a href="mailto:qiuji@mcmaster.ca">qiuji@mcmaster.ca</a>	<a href="mailto:ralevicp@mcmaster.ca">ralevicp@mcmaster.ca</a> ; <a href="mailto:qiuji@mcmaster.ca">qiuji@mcmaster.ca</a>
Office:	RJC 220 (P.Ralevic) RJC 232 (J. Qui)	RJC 220 (P.Ralevic) RJC 232 (J. Qui)	RJC 220 (P.Ralevic) RJC 232 (J. Qui)	RJC 220 (P.Ralevic) RJC 232 (J. Qui)
Office Hour	By appointment	By appointment	By appointment	By appointment
P. Ralevic:				
Office Hour	By appointment	By appointment	By appointment	By appointment
A. Danielova:				

**Course Website:** Available on [avenue.mcmaster.ca](http://avenue.mcmaster.ca).

**COURSE ELEMENTS**

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	No
Avenue:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	No	Group work:	Yes	Oral skill:	Yes
Evidence-Based:	Yes	Experiential:	Yes	Final Exam:	Yes	Guest speaker:	No

## COURSE DESCRIPTION

This course will provide students with an introduction to financial statements, the relevant analysis of financial information and capital budgeting decisions. Topics include quality of earnings concepts, operating decisions and the statement of financial position, earnings and cash flows, the interpretation and integration of accounting information, time value of money, bond valuation, stock valuation, capital budgeting and capital structure.

## LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Read and understand financial statements.
- Understand the accounting cycle and implement selected steps including analyzing, journalizing and posting accounting transactions.
- Prepare financial statements such as the Statement of Earnings, Statement of Retained Earnings, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash Flows.
- Report and interpret liabilities (debt) and Shareholders' equity, including bonds, and time value of money concepts.
- Understand and apply the basic framework of financial ratio analysis in assessing the economic status and progress of an organization.
- Understand the time value of money and interest rates
- Be able to assess the value of bonds and stocks and understand corporate cost of capital.
- Evaluate corporate projects and make decisions based on financial data.
- Understand how investment and financing decisions impact the value of the firm.

## RECOMMENDED COURSE MATERIALS AND READINGS

Libby, R., P.A. Libby, D.G. Short, G. Kanaan and M. Sterling. *Financial Accounting*. Sixth Canadian Edition. 2017. McGraw-Hill Ryerson Limited, ON: Brampton. (FA)

Ross, S. A., R.W. Westerfield, J.F. Jaffe, and G.S. Roberts. *Corporate Finance*. Core Principles and Applications. Fifth Edition. 2018. McGraw-Hill Ryerson Limited

Articles and videos via Avenue.

## OPTIONAL COURSE MATERIALS AND READINGS

Not applicable.

## EVALUATION

Learning in this course results primarily from in-class lectures and discussion, completion of assignments, and out-of-class analysis in preparing case report. The assignments and the case reports will be evaluated either on an individual or on a group basis where group members will share the same grade. If the majority of the group feels that a member does not deserve 100% of the mark assigned, it is the group's responsibility to inform the instructor and the member involved, in writing, specifying the reasons and the percentage of the mark that should be assigned. Your final grade will be calculated as follows:

### Components and Weights

Case Reports (2 reports)	30%
Assignments (individual, two in total)	20%
Midterm Exam (1 <sup>st</sup> half)	25%
Final Exam (not cumulative, 2 <sup>nd</sup> half)	<u>25%</u>
	<u>100%</u>

### Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT	POINTS	LETTER GRADE	PERCENT	POINTS
A+	90 - 100	12	B+	75 - 79	9
A	85 - 89	11	B	70 - 74	8
A-	80 - 84	10	B-	60 - 69	7
			F	0 - 59	6

### Case Reports

Students will work in groups of five to study and analyze two assigned cases, one case for Peter Ralevic and the second case for Jiaping Qiu. Each group is required to hand in one copy of the written case reports. Questions at the end of the case should be used as guidelines in organizing your case report. Peter's case will correspond to the material learned in the first half of the course, and Jiaping's case will correspond to the material learned in the second half of the course, and will also indirectly incorporate the material covered in the first half of the course. The first case (Peter's case) will be handed out in Class 2, and the second case (Jiaping's case), will be handed out in Class 14.

The case report must be of professional quality, typed, double-spaced with 12 font size and margins (1"). The case report should be well organized and include (i) a brief introduction identifying the relevant problems and issues; (ii) a detailed analysis of the issues with recommendations for both of the accounting issues and finance issues; and (iii) a conclusion. The report must be short, that is, less than ten double-spaced typed pages with at most five one-page exhibits, concise, and to the point. Excessive length, excessive verbosity, lack of precision, or otherwise poor writings will affect your grade. You may use font size 10 for the exhibits.

A **print copy** must be handed in on or before 8:30 a.m., November 1<sup>st</sup>, 2017 for Peter's case, and on or before 8:30am, December 11<sup>th</sup>, 2017, for Jiaping's case. An electronic copy must also be submitted

for both cases to Dropbox on the course website on Avenue. Late submission will not be accepted for marking, i.e., a grade of **ZERO** will be assigned accordingly.

## **Assignments**

Students must work on the following two assignments **individually**.

### **Assignment 1 (due 8:30 a.m., October 30<sup>th</sup>, 2017) (10%)**

Requirements:

The assignment will be handed out during class 3, and will consist of various short answer questions, exercises and problems that pertain to the first half of the course (accounting).

### **Assignment 2 (due 8:30 a.m., November 28, 2016) (10%)**

Requirements:

The assignment will be handed out during class 11, and will consist of various short answer questions, exercises and problems that pertain to the second half of the course (finance), but that will indirectly integrate concepts learnt in the first half of the course.

Assignment submissions must be of professional quality, typed, 12 sized font and margins (1").

For all assignments, a **print copy** of the assignment must be handed in on or before due date and an electronic copy must be submitted to Dropbox on the course website on Avenue. **For Assignments 1 and 2, and the Case Reports, the WORD document and EXCEL worksheet must be emailed to the teaching assistant(s)**, for marking. Late submission will not be accepted for marking, i.e., a grade of **ZERO** will be assigned accordingly.

## **Confidential Peer Evaluation**

For the case report, each group member must turn in a **confidential** evaluation of group members. At the end of the semester, individual student's mark on the assignment and case report will be adjusted down, if necessary, to reflect these evaluations.

## **Midterm and Final Exams**

There will be one midterm and one final examination. The Final Exam is not cumulative, and will correspond to the material learned in the second half of the course.

You are responsible for anything covered in class (regardless of whether or not you attended the class). Examination questions will be based on topics covered in class, and they may be similar in nature to the problems assigned or worked during class, or those covered in the assignments. Exams are closed book and notes. However you are allowed to bring one-page (8½" x 11") cheat sheet (you could write on both sides). You may type up the cheat sheet.

Important Note: Any non-communicating calculators will be allowed in both midterm and final examinations.

## **Communication and Feedback**

Students who are uncomfortable in directly approaching an instructor regarding a course concern may choose to send a confidential and anonymous email to the respective Area Chair at:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors may conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

## **ACADEMIC DISHONESTY**

It is the student's responsibility to understand what constitutes academic dishonesty. Please refer to the University Senate Academic Integrity Policy at the following URL:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

This policy describes the responsibilities, procedures, and guidelines for students and faculty should a case of academic dishonesty arise. Academic dishonesty is defined as to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. Please refer to the policy for a list of examples. The policy also provides faculty with procedures to follow in cases of academic dishonesty as well as general guidelines for penalties. For further information related to the policy, please refer to the Office of Academic Integrity at:

<http://www.mcmaster.ca/academicintegrity>

In this course, we will be using a web-based service (Turnitin.com) to reveal plagiarism. Students will be expected to submit their work electronically to Turnitin.com and in hard copy so that it can be checked for academic dishonesty. Students who do not wish to submit their work to Turnitin.com must still submit a copy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., Google search, etc.). To see [Guidelines for the Use of Turnitin.com](#), please go to:

<http://www.mcmaster.ca/academicintegrity/turnitin/students/>

## **MISSED ACADEMIC WORK**

### ***Missed Assignments and Reports***

Where students miss a regularly scheduled assignment/report for legitimate reasons as determined by the Student Experience – MBA Academic Office, the weight for that assignment will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – MBA Academic Office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

If an assignment is missed without a valid reason, students will receive a grade of zero (0) for that component.

### ***Missed Mid-Term Examination***

Where students miss a regularly scheduled mid-term examination for legitimate reasons as determined by the Student Experience – MBA Academic Office, they will be provided with the opportunity to write a comprehensive final exam, covering all materials covered in the course. Documentation explaining such an absence must be provided to the Student Experience – MBA Academic Office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, must write a comprehensive final exam, which covers all materials in the course. Such notification must be made to the Student Experience – MBA Academic Office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by the Student Experience – MBA Academic Office.

If mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

### ***Missed Final Examination***

A student who misses a final examination without good reason will receive a mark of **ZERO** on the examination.

A student who misses a comprehensive final examination without good reason will receive a mark of **ZERO** on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – MBA Academic Office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred examinations, and students who missed a comprehensive final examination must write a comprehensive final examination.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – MBA Academic Office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – MBA Academic Office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – MBA Academic Office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – MBA Academic Office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

## STUDENTS ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for examinations on or before the last date for withdrawal from a course without failure (please refer to official university sessional dates). Students must forward a copy of such SAS accommodation to the instructor immediately upon receipt. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

## POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

### Remarks

- i. Please see Avenue for any updates and course material on a daily basis.
- ii. We only respond to emails sent from students' McMaster email accounts. Ensure that your Mac account is activated and has space to receive emails. We reply to emails only once, and if it returns to us as "undeliverable mail" we do not attempt any further replies. Do not use the email provided by Avenue. We do not check Avenue for emails. We do not respond to emails asking questions to which the answer is readily available in the course outline or Avenue.

## RESEARCH USING HUMAN SUBJECTS

Research involving human participants is premised on a fundamental moral commitment to advancing human welfare, knowledge and understanding. As a research intensive institution, McMaster University shares this commitment in its promotion of responsible research. The fundamental imperative of research involving human participation is respect for human dignity and well-being. To this end, the University endorses the ethical principles cited in the Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans:

<http://www.pre.ethics.gc.ca>

McMaster University has mandated its Research Ethics Boards to ensure that all research investigations involving human participants are in compliance with the Tri-Council Policy Statement. The University is committed, through its Research Ethics Boards, to assisting the research community in identifying and addressing ethical issues inherent in research, recognizing that all members of the University share a commitment to maintaining the highest possible standards in research involving humans.



If you are conducting original research, it is vital that you behave in an ethical manner. For example, everyone you speak to must be made aware of your reasons for eliciting their responses and consent to providing information. Furthermore, you must ensure everyone understands that participation is entirely voluntary. Please refer to the following website for more information about McMaster University's research ethics guidelines:

<http://reo.mcmaster.ca/>

Organizations that you are working with are likely to prefer that some information be treated as confidential. Ensure that you clarify the status of all information that you receive from your client. You **MUST** respect this request and cannot present this information in class or communicate it in any form, nor can you discuss it outside your group. Furthermore, you must continue to respect this confidentiality even after the course is over. Data collected for term project must be destroyed after completion of project and course.

### **ACKNOWLEDGEMENT OF COURSE POLICIES**

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of BUS I601 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

### **STUDENT EVALUATION OF TEACHING**

It is the policy of the DeGroot School of Business to administer the Student Evaluation of Teaching forms towards the end of the semester and students are expected to participate in these evaluations.

## COURSE SCHEDULE

### BUS I601: Managing Financial Resources Fall 2017 Course Outline

Class	Week	Topic	Readings & Page Numbers	Self-Study Problems
1	Oct. 10 (CO3 & CO4) Oct 11 (CO1 & CO2)	Investing and Financing Decisions and the Statement of Financial Position <u>Topics:</u> LO2-2, LO2-3, LO2-4, LO2-5, LO2-6, LO2-7	Chapter 2 Pgs.: 51-78  Canadian Tire FS on Avenue	Demonstration case- Pg. 80; P2-2, 2-3, 2-5, 2-6
2	Oct. 12 (CO3 & CO4) Oct. 13 (CO1 & CO2)	Operating Decisions & The Statement of Earnings <u>Topics:</u> LO3-1 to LO3-6  Adjustments, Financial Statements & the Quality of Earnings <u>Topics:</u> LO4-2, LO4-3  <b>Group case handed out</b>	Chapter 3 Pgs.: 110-136  Chapter 4 Pgs.: 188-195	Demonstration case-Pg. 138; P3-1, 3-2, 3-5  P4-6 (excluding Req. 5)
3	Oct. 16 & 17	Reporting and Interpreting Cash Flows <u>Topics:</u> LO5-1 to LO5-7 <b>Assignment 1 handed out</b>	Chapter 5 Pgs.: 239-266	Demonstration case- Pg. 268; P5-2, 5-3, 5-4
4	Oct. 18 & 19	Reporting and Interpreting Current Liabilities <u>Topics:</u> LO9-1, LO9-2, LO9-3, LO9-4, LO9-6, LO9-S2, Appendix 9E (LO9-S3, LO9-S4)	Chapter 9 Pgs.:494-507, 509-510, 513-522, 9E-1 to 9E-5)	Demonstration case- Pg. 511; P9-1, 9-7, 9-10, 9-13, 9-14
5	Oct. 23 & 24	In-class problems and discussion	N/A	
6	Oct. 25 & 26	Reporting and Interpreting Non-current Liabilities <u>Topics:</u> LO10-1, LO10-3, LO10-7, LO10-8	Chapter 10 Pgs.: 549-553, 556-565, 572-574	Demonstration case- Pg. 574; P10-1, 10-5, 10-6, 10-7
7	Oct. 30 & 31	Reporting and Interpreting Shareholders' Equity <u>Topics:</u> LO11-1, LO11-2, LO11-3, LO11-4, LO11-5, LO11-7, LO11-9, Appendix 11A <b>Assignment 1 due at 8:30am, Oct 30</b>	Chapter 11 Pgs.: 609-621, 623-626, 628-629	Demonstration case- Pg. 630, Required 1 and 4 only; E11-1, E11-3, E11-4, E11-5, P11-10, 11-11
8	Nov. 1 & 2	Communicating Accounting Information and Analyzing Financial Statements <u>Topics:</u> LO12-1, LO12-2, LO12-4, LO12-5, LO12-6, LO12-7, LO12-8  Financial Statements of the Canadian Tire Corporation, Limited <b>Case due at 8:30am, November 1<sup>st</sup></b>	Chapter 12 Pgs.: 664-673, 676-694 (focus on ratios covered in slides)  Appendix A (Statements available on Avenue)	P12-1, 12-2, 12-4 (omit market test ratios), 12-7
9	Nov. 6 & 7	Review class	NA	
<b>Midterm Exam (November 8<sup>th</sup>, 2017; 9:00 a.m. – 12:00 noon, 3 hours, location TBD)</b>				

10	Nov. 13 & 14	Introduction	Chapter 1	End of Chapter Q 1, 2, 3, 5, 8
11	Nov. 15 & 16	Discounted Cash Flow Valuation <b>Assignment 2 handed out</b>	Chapter 4	End of Chapter Q 21 to 52
12	Nov. 20 & 21	Interest Rates and Bond Valuation	Chapter 5	End of Chapter Q 15 to 25
13	Nov. 22 & 23	Stock Valuation	Chapter 6	End of Chapter Q 14 to 32
14	Nov. 28 & 29	NPV and other Investment Rules <b>Assignment 2 due at 8:30 am, November 28 Group Case 2 handed out</b>	Chapter 7	End of Chapter Q 11 to 22
15	Nov. 30 & Dec. 1	Making Capital Investment Decisions	Chapter 8	End of Chapter Q 11 to 29
16	Dec. 4 & Dec. 5	Capital Structure: Basic Concepts	Chapter 14	End of Chapter Q 17 to 25
17	Dec. 6 & Dec. 7	Capital Structure: Limits to the Use of Debt	Chapter 15	End of Chapter Q 11 to 16
18	Dec. 11	Review <b>Group Case 2 due at 8:30am, December 11</b>		
<b><i>Final Exam (December 16<sup>th</sup>, 2017; 9:00am – 12:00 noon, 3 hours, location TBD)</i></b>				

Tentative course outline is subject to change.