

F712
Applied Corporate Finance
Fall 2019 Course Outline

Finance and Business Economics
DeGroot School of Business
McMaster University

COURSE OBJECTIVE

This course uses the case method to study the practical aspects of central topics in corporate finance. The course applies some of the concepts and techniques introduced in I601 and F650 classes to actual situations. In addition to analyzing the specific financing problems or issues, this course considers how those issues relate to the strategic objectives of the firm. It will be important to examine the "holistic" and "big picture" assumptions that are used in the numerical calculations. Overall, this course represents a strong mix of the quantitative and the qualitative aspects of a corporate decision-making process. It is designed to place a strong emphasis on presentation and discussion skills. It will be vital to explain your positions or arguments to each other and try to argue for the implementation of your recommendations.

INSTRUCTOR AND CONTACT INFORMATION

Tuesday 07:00 pm – 10:00 pm at RJC 263

Instructor:

Waquar Ahmad

Email: ahmadw9@mcmaster.ca

Office: RJC 221

Office Hour: By Appointment

Student TA

Not Available

Course website: <http://avenue.mcmaster.ca>

COURSE ELEMENTS

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

COURSE DESCRIPTION

This course has one goal: to provide you with a strong foundation in the principles of corporate finance and an opportunity to apply these principles to practical and managerial decisions. The course uses case studies to bridge the gap between fundamental finance theories and their applications to practical questions in corporate finance. A deep understanding of the concepts of this course is useful beyond corporate finance, in general management, corporate strategy, management consulting, entrepreneurship, as well as investment banking and investment management.

This is a student-centered class, with discussion and student presentations accompanied by Q&A being the dominant component. There will be no teaching assistant available for the course.

While the course is not designed to dwell on abstraction, the basic theoretical underpinnings of the various topics are a prerequisite to competent analysis and intellectual discussion. It emphasizes the development of problem-solving skills based on a good understanding of the business environment as opposed to pure theorizing or mindless numbers exercises. Because of the practical importance of the material and as an illustration of the relevant theory, the focus is on examples and cases.

LEARNING OUTCOMES

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

- Assess the intrinsic value of the company;
- Be able to allocate funds to the most attractive investment opportunities;
- Manage the firm's cash-flow to ensure financial solvency;
- Structure the financial claims on the firm between debt and equity securities such that it creates shareholder value;
- Obtain a knowledge of a firm's optimal cash payout policy;
- Monitor and control all aspects of the firm's risk in order to maintain a balance of risk and returns that is consistent with share-price maximization;
- IPO and M&A mechanisms and pricing decisions.

REQUIRED COURSE MATERIALS AND READINGS

- There is no required textbook for this course. However, you may find the textbooks you have used for your previous finance courses helpful for reference.

Lecture notes will be posted on Avenue before each class. The cases covered in this class are available as a Course-pack from Harvard Business Publishing. Students are **INDIVIDUALLY** required to purchase the course pack. However, they are not required to purchase (or use) optional items. Please use your official McMaster email for the "Course-pack" purchase as it will be tracked by HBP,

and violation of copyright by copying or otherwise distributing course pack material will be brought to the attention of the university as a copyright violation and will significantly impact your grade in the course.

Link for course-pack: <https://hbsp.harvard.edu/import/659917>

EVALUATION

Student groups, consisting of two to three members, will be formed and case assignments will be available by the first day following the first class. While groups are expected to form organically, I may have to use my 'instructor's privileges (in difficult situations) to make suggestive changes in the group formation stage.

Deliverable	Note	Marks
Class participation (individual)	2.5 @ 8 sessions Bonus* (5%)	20%
Case analysis (group)	Analysis and presentation 15% Q&A response 5% Report 5%	25%
Shadow case analysis (group)	Analysis and summary report 5% Q&A performance 5%	10%
Midterm Exam (individual)	In class, open notes	20%
Final Exam (individual)	During exam week, open notes	25%
Total		100%

Class Participation (20%): You will be expected to participate and contribute in class discussion on the assigned case for every given session. You will collect points based on attendance and participation. When the quality of your participation is high you will get bonus points* at my discretion. Since student participation is an important component of this course, I will be taking attendance regularly, and will be mindful of the quality of student participation and engagement.

You must have a name card with your **full first and last name** clearly written and displayed in front of you for **every** class.

I will judge your performance based both on the quality and the quantity of your comments. Perceptive questions are as effective as solid answers. Students who are absent or passive during discussions will not score well on this dimension. Similarly, students who develop a pattern of dominating class discussion with trivial comments will see their participation scores decrease.

I may cold-call individual students for comments or discussion.

In order to help reduce any uncertainty, I will give periodic updates on your class participation marks. Participation grade for each class will need to be earned in each class and cannot be shifted to another session. Any student who demonstrates disrespectful behavior to others and/or disruptive conduct in class will receive automatic zero for participation component for that class.

Case Analysis (25%): Preparation for the team cases is done in groups of two to three, depending on the size of the class. Each group will have one case assigned for analysis for the course. The group

will prepare slides/ notes/ other tools necessary to convey their position on the case being analyzed. The group work will also involve a small report submission on the case due before the presentation.

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. The submission must be made in the designated dropbox in the course Avenue page. The group will also submit the spreadsheet (if) used to conduct analysis and reach conclusion. Each presentation will run for approximately 45 minutes. Class participants and the instructor will ask questions on the presentation.

For the group case presentations, I will grade professionalism, elegance and quality, not quantity. Please make clear what question(s) you are answering with your analysis. Do not show exhibits that you do not plan to use in your arguments. I will take off points for gratuitous and unnecessary stuff.

Each member of the group will receive the same grade for group cases. However, if there is a conflict within a group (or concerns about free rider problem), I reserve the right to give the students in that particular group the opportunity to evaluate their group-mates on their respective contribution and performance. In such rare cases, the final group case grades (which is 25% of the course grade) will be a function of the grade you get as a group (60%) and your peer evaluation (40%).

The following are some general guidelines for preparing case write-ups:

- Highlight your main conclusions in an executive summary (no more than one page) that contains specific results from your analysis.
- Identify the objective and the main issues of the case.
- The main body of your analysis should be self-explanatory and reasonably self-contained. That is, the reader should be able to replicate your results by tracing through the writeups and spreadsheets.
- State clearly the inputs to your analysis and the chosen methodology. If you feel that certain assumptions need to be made to justify a solution technique or a parameter choice, please make the assumption explicit.
- Justify your findings by providing the intuition. Where appropriate, perform sensitivity analysis and discuss the robustness of your results.

In the past, students have asked professors to hand out their case analysis "answers" after the class has discussed the case. However, my policy is not to hand them out in general. The reason is that there are usually no absolute right answers. The best cases are deliberately written to be ambiguous. Nevertheless, while there are no right answers, there are good arguments and bad arguments. This course is designed to help you learn to distinguish between sensible and senseless arguments. Handing out the analyses would reduce the ambiguity in the cases and partially defeat the purpose of doing the cases -- as well as stifle your creativity.

Shadow case analysis (10%): Each group will be assigned to produce their analysis and viewpoints on a case which may be confirming/ conflicting/ different to the original group making the case presentation. During the semester each group will be assigned to deliver a short discussion of a case. The shadow group can decide on their mode of presenting their case. Time allotted for a shadow group is 15 minutes. Class participants and the instructor will ask questions in the shadow discussion. Besides the short discussion/presentation in the class, the shadow group will also submit a one-page (double spaced) executive summary along with the spreadsheet used to conduct the analysis and reach their position.

Midterm Exam (20%): The midterm exam will be open book and a case-based assessment. It will test students on their understanding of concepts and problem-solving ability. Participants will be provided

with a case to analyze individually during the exam. You can bring any tools (notes, books, calculators) other than computers and phones to assist you during the exam. The midterm will take place during weekly class session in week 7 (**22nd October**) of the semester. The case used in the midterm exam will entail topics covered till week 6 of the course.

Make-up midterm exams **will not be** given. If you do miss the mid-term and are approved for a Notification of Absence or MSAF, your grades for the mid-term will be re-weighted to the other graded individual components of the course grades. Exams are scheduled well in advance so that students can plan accordingly. An unexcused absence from an exam will result in a grade of zero on the exam.

Final Exam (25%): The final exam will be comprehensive and will cover material from all lectures and all the cases. It will be open book and a case-based assessment. It will test students on their understanding of concepts and problem-solving ability. You can bring any tools (notes, books, calculators) other than computers and phones to assist you during the exam. The final exam will take place on the last day of scheduled classes (**3rd December**) for the semester.

Grade 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
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

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

Students who wish to correspond with me 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.

Students will receive evaluation feedback for at least 30% of the final grade prior to Week #8 in the term.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

In this course we will be using a web-based service (Turnitin.com) to reveal plagiarism. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, etc.). To see the Turnitin.com Policy, please go to;

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

Language for Use in Courses with an On-Line Element

In this course we will be using emails and Avenue to Learn. The course-pack contains a set of cases offered from Harvard Business Publishing. It is mandatory for each student to purchase the course-pack using the link provided in the outline. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation 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 – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office 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 Student Experience – Academic (MBA) office 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, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) 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 Student Experience – Academic (MBA).

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

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) 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 exams.

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 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. 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 – Academic (MBA) 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 – Academic (MBA) 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 – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) 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.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. 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 MODIFICATION 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.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of F712 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.

COURSE SCHEDULE

BUSINESS F712
Fall 2019 Course Schedule

Week	Date	Topics to be covered	Case of the week
1	Sep-10	Introduction to the course – outline review What you should know already How to do a case analysis Form groups; Assign cases	
2	Sep-17	Business Performance Analysis	Generating Higher Value at IBM (A)
3	Sep-24	Capital Budgeting	Target Corporation
4	Oct-01	Cost of Capital	The Boeing 7E7
5	Oct-08	Capital Structure	Deluxe Corporation
6	Oct-15	Dividend Policy	Autozone, Inc
7	Oct-22	MIDTERM EXAM (2.5 Hours) – Open Notes	
8	Oct-29	Valuation – M&A	Sun Microsystems
9	Nov-05	IPO	Ferrari: The 2015 IPO
10	Nov-12	Leveraged Buyout	DuPont Corporation
11	Nov-19	Bankruptcy – Choice of Funding	Stelco Inc.: Bankruptcy & Restructuring
12	Nov-26	FinTech	Cutting through the Fog
13	Dec-03	FINAL EXAM (3 Hours) – Open Notes	

This is a tentative schedule of classes. The schedule may be changed during the semester at the discretion of the instructors. The instructors will provide advance notice to the students in case a change in schedule is made.