

**Business F712  
Applied Corporate Finance  
Winter 2022 Course Outline**

**Finance and Business Economics  
DeGroote School of Business  
McMaster University**

**COURSE OBJECTIVE**

1. To recognize, understand, analyze, and craft corporate strategies aimed at the creation of shareholder wealth.
2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

**INSTRUCTOR AND CONTACT INFORMATION**

**Section 1: Monday 2:30 – 5:20 pm**

**Dr. Anna N. Danielova**

Instructor

[adaniel@mcmaster.ca](mailto:adaniel@mcmaster.ca)

Office: RJC46B

Office Hours: By appointment

Class Location: RJC357

**Wei-Ju (Fred) Liao**

Teaching Assistant

[liaow7@mcmaster.ca](mailto:liaow7@mcmaster.ca)

Office Hours: TBA

**Course Website:** On Avenue to Learn

**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:	No	Guest speaker(s):	No

**COURSE DESCRIPTION**

This course is taught primarily through the lectures and case studies. Through the extensive use of case analysis this course provides a rigorous introduction to corporate value creation in global

competitive markets. Value creation principles and valuation framework are used to provide answers to such questions as: What is the most appropriate notion of value and how is it measured? How do we use finance to evaluate corporate strategies and determine whether they create or destroy value? How to effectively communicate corporate and financial strategies to financial markets? Students will also develop a proficiency in the technology necessary to implement this knowledge in a real-world setting. The objective is to familiarize students with principles of value-based management as well as cutting-edge valuation tools that are based on modern finance theory.

## **LEARNING OUTCOMES**

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

1. Assess the intrinsic value of the company;
2. Be able to allocate funds to the most attractive investment opportunities;
3. Manage the firm's cash-flow to ensure financial solvency;
4. Structure the financial claims on the firm between debt and equity securities such that it creates shareholder value;
5. Receive a knowledge of a firm's optimal cash payout policy;
6. 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;

## **REQUIRED COURSE MATERIALS AND READINGS**

Avenue to Learn registration for course content, readings, and assignments

- <http://avenue.mcmaster.ca/>

Damodaran, Aswath, Corporate Finance: Theory and Practice, 2001, Wiley, 2<sup>nd</sup> edition.

- purchase a copy at the bookstore

Cases are provided on Avenue to Learn

Articles and other materials passed out in class

<b>EVALUATION</b>
-------------------

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation if necessary. Your final grade will be calculated as follows:

<b>GRADE COMPONENTS AND WEIGHTS</b>	
Project (group)	35%
Project Presentation (group)	5%
Midterm (individual)	40%
Participation (individual)	20%
Total	100%

### ***Conversion***

Course grades are assigned on the curve, with B- starting at 60%. Overall percentage total below 60% will be converted to F.

### ***Participation***

Name cards and assign seating are used to help give credit for your participation. You must have a name card with your full first and last name clearly written and displayed in front of you for every class.

### ***Expectations***

Since this course makes extensive use of classes and class discussion, it is imperative that the class, both as individuals and collectively, prepare for each class and participate in the discussion. For this reason, my evaluation of your performance weights effective classroom participation. 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 suffer. Since I judge your participation score from the point of view of your immediate supervisor, consider your score as your three-month performance review. I also reserve the right to cold-call on anyone at any time.

### ***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 instructors or TAs 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.

## LOGISTICS

Everything regarding the course (including syllabus, lecture notes, project, announcements, etc.) will be posted on Avenue to Learn. It is your responsibility to follow up the Avenue page to be current with the class. Lecture notes, if available, should be downloaded before each lecture if available. Have them ready for every class.

### **Calculators**

Calculators are encouraged for exams, and for all practical purposes, required. Calculators must be silent. Prior to exams or quizzes, calculator memories will be subject to inspection if they are programmable. Notebook PCs are not allowed during exams. The use of a McMaster standard calculator is suggested.

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/examinationindex.html>

### **Team Project**

Students will assemble 4 person teams to complete a Project. The final report, due April 4, 2022, is comprehensive analysis of company corporate strategies: you will be asked to comment on company's capital structure, dividend policy, and appropriate cost of capital, and their effect on value. In addition you should estimate the intrinsic value of the company's stock. The overall project will be evaluated in light of the completeness of the analysis you choose to do, the techniques you choose to employ, and the impact of the results you choose to present in your written report. Begin each report with a summary memorandum and make effective use of tables and graphs. Extensive footnoting and compilations of long bibliographic lists are not encouraged. I will judge your work from the point of view of your senior financial officer. More detailed information on project will be provided in class.

### **Exam**

You are responsible for anything covered in class (regardless of whether or not you attended). Midterm exam is open book and notes. I do not want to test your memory, but the knowledge.

### **Punctuality**

Classes begin on time. Latecomers disrupt the presentation of lecture materials.

## ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour 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 behaviour 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](http://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

## COURSES WITH AN ON-LINE ELEMENT

*Some courses may* use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, 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 a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

## CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities.

These expectations are described in the [\*Code of Student Rights & Responsibilities\*](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

## **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 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. 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.

### **ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES**

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>

### **ACADEMIC ACCOMMODATION FOR RELIGIONS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)**

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office *normally within 10 working days* of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.



## **COPYRIGHT AND RECORDING**

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

## **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.

## **ACKNOWLEDGEMENT OF COURSE POLICIES**

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

<b>COURSE SCHEDULE<sup>1</sup></b>
------------------------------------

**Zoom link to all classes scheduled online:**

<https://mcmaster.zoom.us/j/92978478705?pwd=YU5nVWNlVjJ6YXpHdTRtTjM0YzB4dz09>

Meeting ID: 929 7847 8705

Passcode: 276262

<b>Week</b>	<b>Date</b>	<b>Topic</b>	<b>Case of the Week</b>	<b>Reading List</b>
1	1/10	Introduction; Financial Statement and CF Analysis		Ch 2, 3, 4, 5
2	1/17	Discount Rates; Uncertainty and Risk Cost of Capital	Case: <i>Dell Computer</i>	Ch 6, 7, 8, 16
3	1/24	<i>Project description</i> Capital Budgeting Risk Management	Case: <i>Telus</i>	Ch 9, 10, 11, 12, 13, 14, 15
4	1/31	Capital Structure	Case: <i>Pepsico</i>	Ch 16, 17, 18, 19
5	2/7	<i>Company requests due</i> Capital Structure	Case: <i>Borders Hotel</i>	Ch 20
6	2/14	Capital Structure	Case: <i>Rocky Mountain</i>	
7	2/21-25	<b>Mid-term recess</b>		
8	2/28	<b>Midterm</b>		
9	'3/7	Valuation and Firm Value		Ch 24, 25
10	3/14	The Dividend Decision	Case: <i>Oxford Learning</i>	Ch 21, 22, 23
11	3/21	Options in Corporate Finance	Case: <i>Champion Road Machinery</i>	Ch 27; Handouts to be distributed
12	3/28	Corporate Finance for Private Firms	Case "Arundel Partners"	Read Capital Projects as Real Options
13	4/4	<b>Project is due</b> Project Presentations		
14	4/11	Make up class if needed		

<sup>1</sup> Every effort will be made to manage the course as stated here. However, adjustments may be necessary for various reasons at the discretion of the professor. Any alterations will be announced prior to being implemented.