

MBA F650: Firms and Markets **Winter 2023 Course Outline**

Finance and Business Economics Area
DeGroote School of Business
McMaster University

COURSE OBJECTIVE

As the capstone to McMaster's MBA program, this course is designed to unify your learning experience at the School of Business. This course builds on your previous learning, and acts as a stepping-stone to the real world of business. The purpose of this course is to enhance your capacity to do the job of a general manager responsible for strategic performance.

INSTRUCTOR AND CONTACT INFORMATION

Section C01:
Tue & Fri 8:30 – 10:30
Class location: RJC

Section C02:
Tue & Fri 11:30 - 13:30
Class location: RJC

Instructor: Dr. Katya Malinova
malinovk@mcmaster.ca
Office: RJC TBA

Office Hours: after class and by appointment
Course website: Avenue to Learn

Student TA: Shubi Xie
TBA@mcmaster.ca

COURSE ELEMENTS

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

COURSE DESCRIPTION

This course provides an in-depth understanding of the way companies and individual investors make financial decisions. The material builds upon the concepts of time value of money, risk/return analysis and corporate finance, learned in earlier finance courses, and makes use of accounting concepts, especially the organization of the balance sheet, income and cash flow statement. However, F650 is much more investment and market-oriented. Course coverage centers on advanced financial management, portfolio theory, equities valuation and investments including fixed income and derivatives.

LEARNING OUTCOMES

Upon completion of this course, students will be able to:

- Understand the relationship between the risk and the return of a financial securities, and determine the appropriate discount rate for capital budgeting.
- Understand and apply the capital asset pricing model (CAPM) and multi-factor models.
- Understand the concept of market efficiency and its implications for corporate finance.
- Understand and evaluate a firms' capital structure decisions, and the impact of taxes and market imperfections on these decisions.
- Understand the theory and practical aspects of dividends and share repurchases.
- Evaluate corporate projects and public companies through a range of financial analysis tools.
- Describe the common forms of long-term financing sources, such as common stock, preferred stock, long-term debt, and leases.
- Evaluate the trade-offs in managing working capital accounts.
- Understand the basics of options markets and risk management strategies using options, futures, and forwards.

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials ➤ http://avenue.mcmaster.ca	\$ FREE
Corporate Finance by Berk, DeMarzo & Stangeland, 5 th Canadian Edition. ➤ E-text or print. ➤ MyLab Finance access is *not* required. ➤ A 12-month instant digital access to e-text is available on Pearson Canada website @ C\$49.99.	Between \$49.99 and \$189.99, depending on the chosen format
E-coursepack (Ivy MBA case for the group project) ➤ details to be posted on A2L.	\$6-11

OPTIONAL COURSE MATERIALS AND READINGS: NONE

EVALUATION

Learning in this course results primarily from in-class lectures and discussion, completion of optional practice questions, and out-of-class analysis in preparing case report. The case reports will be evaluated on the group basis. If the majority of the group feels that a member does not deserve 100% of the group's mark, it is the group's responsibility to inform the instructor and the member involved, in writing, specifying the reasons.

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

Your final grade will be calculated as follows:

Components and Weights

A2L Quizzes	5 x 5%	25%
Midterm Test		30%
Case Report	group	15%
Final Exam		30%
Total		100%

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

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Course Deliverables

A2L Quizzes (5 quizzes x 5% = 25%)

After every 2 lectures, a multiple-choice questions quiz will be assigned on the A2L portal of the course webpage. The details will be discussed in the class and will also be posted on A2L. Every student in each cohort will be required to take this quiz. Please note that NO make-up will be offered for any missed A2L quiz. The weight of a missed A2L quiz for quizzes 1-3 will be automatically re-allocated to that of the midterm test; the weight of a missed A2L quiz for quizzes 4-5 will be automatically re-allocated to that of the final exam.

Midterm Test and Final Exam (30% each)

The midterm test and the final exam (closed-book) are expected to assess students' understanding and application of course contents at an individual level and will be held in-person on a date and at a time scheduled by the MBA office. These are mandatory; the final exam is non-cumulative: the midterm test will cover topics from lectures 1-9, and the final exam will cover topics from lectures 10-18. The midterm test and the final exam will consist of multiple choice, short answer, and computational questions. Additional details on content coverage, practice questions, and sample tests will be posted on the A2L. You may prepare your own 1-page (double-sided) (details and restrictions to be posted on A2L) formula sheet and use a financial calculator. A student missing either the midterm test or the final exam will be subject to the policies and procedures outlined in the MBA Academic Calendar for the missed academic work.

Group Case Report (15%)

The details on Case Report requirements and the e-coursepack for the case will be posted on A2L in the week of February 13. Students will be expected to purchase the case (as an e-coursepack). An electronic copy of the final report must be submitted via the course website on A2L (one per group). If the majority of the group feels that a member does not deserve 100% of the group's mark, it is the group's responsibility to inform the instructor and the member involved, in writing, specifying the reasons. **Due Date: Friday, March 10.**

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.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

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

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

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

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.

ON-LINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

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

Please do not use the online [McMaster Student Absence Form \(MSAF\)](#) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the Student Experience – Academic Office (SEAO), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the SEAO within five (5) working days of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the [Petition for Missed Term Work and the MBA Student McMaster University Student Health Certificate](#), can be found on the DeGroote MBA Student website (mbastudent.degroote.mcmaster.ca). Please direct any questions about acceptable documentation to the MBA Academic Advisors (askmba@mcmaster.ca).

University policy states that a student may submit a maximum of three (3) [Petition for Missed Term Work](#) per academic year, after which the student must meet with the Director of the program.

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

Missed Final Examinations

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the SEAO to write a deferred examination by submitting an [Application for Deferring a Final Exam](#) with supporting documentation. The application must be made within five days of the scheduled exam date or the application may be denied.

The [Application for Deferring a Final Exam](#) and the [MBA Student McMaster University Student Health Certificate](#) can be found on the DeGroote MBA Current Student website (mbastudent.degroote.mcmaster.ca)

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the SEAO and agreed to by the course instructor.

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

Failure to write an approved deferred examination at the pre-scheduled time will result in a zero (0) mark 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.

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 RELIGIOUS, 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 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 MBA F650 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*

MBA F650
Firms and Markets
Winter 2023 Course Schedule

Class	Date C02	Berk et al Chapters	Lecture Topics	Assessments
1	Tue Jan 17	3	Intro and Recap of Fin Decision Making	
2	Fri Jan 20	10	Capital Markets and the Pricing of Risk	Quiz 1: Jan 23
3	Tue Jan 24	11	Portfolio choice and CAPM	
4	Fri Jan 27	11-12	CAPM (cont'd). The cost of capital.	Quiz 2: Jan 30
5	Tue Jan 31	13	Market efficiency	
6	Fri Feb 03	17	Capital structure: perfect markets	Quiz 3: Feb 06
7	Tue Feb 07	18	Capital structure: debt and taxes	
8	Fri Feb 10	19	Capital structure: financial distress and managerial Incentives	
9	Tue Feb 14		Review	
Midterm test: to be scheduled				
10	Fri Feb 17	21	Valuation	

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

MBA F650
Firms and Markets
Winter 2023 Course Schedule (Continued)

Class	Date C02	Berk et al Chapter	Lecture Topics	Assessments
Reading Week				
11	Tue Feb 28	28	Mergers and Acquisitions	
12	Fri Mar 03	20	Payout Policy	Quiz 4: Mar 06
13	Tue Mar 07	23-25	Long-term financing: overview	
14	Fri Mar 10	26-27	Short-term financing: overview	Case Report Due: Friday Mar 10
15	Tue Mar 14	14	Options	
16	Fri Mar 17	15-16	Option Valuation and Real Options	Quiz 5: Mar 20
17	Tue Mar 21	30	Risk management strategies	
18	Fri Mar 24		Review	
Final Exam (non-cumulative): to be scheduled				

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