

**BUSADMIN F712  
Applied Corporate Finance  
Winter 2024 Course Outline**

**Finance  
DeGroote School of Business  
McMaster University**

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***COURSE OBJECTIVE***

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To recognize, understand, analyze, and craft corporate strategies aimed at the creation of shareholder wealth.

To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

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***INSTRUCTOR AND CONTACT INFORMATION***

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**Monday, 8:30 - 1120**  
**Alicia Damley, CFA, CPA, CA, MBA**  
Instructor  
[damleya@mcmaster.ca](mailto:damleya@mcmaster.ca)  
Office Hours: after class or by appointment  
Class Location: RJC 249

**Wei-Ju (Fred) Liao**  
TA  
[liaow7@mcmaster.ca](mailto:liaow7@mcmaster.ca)  
Office: TBC  
Office Hours: TBC

**Course website:** Avenue 2 Learn

*We are here to help you succeed!*

Both our course TA and I are here to help you navigate this course successfully!

Outside of class, it is easiest to connect via email. We can address a question quickly via email or setup a time to speak directly. I endeavor to respond to emails within 48 hours. For our mutual benefit

and protection, please send all emails from your Mac id. If I have not responded to your inquiry within 48 hours, please re-send it in case it has been lost between our in-boxes or I have missed it!

### ***COURSE ELEMENTS***

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: No	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 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:

- 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;
- Receive 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.

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### ***REQUIRED COURSE MATERIALS AND READINGS***

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Avenue registration for course content and supporting materials:

<http://avenue.mcmaster.ca>

Damodaran, Aswath, Corporate Finance: Theory and Practice, 2001, Wiley, 2nd edition.  
Purchase a copy at the bookstore.

The case pack can be purchased at:  
[insert Campus Bookstore link]

Articles and other materials passed out in class.

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### ***EVALUATION***

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Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. Work will be evaluated on an individual and group basis as shown below. For group work, all group members will share the same grade. Your final grade will be calculated as follows:

#### **Components and Weights**

<b>Participation</b>		<b>20%</b>
<b>Case Presentation &amp; Report</b>	See below for details	<b>35%</b>
<b>In-class Exam</b>	Details to be provided in class	<b>45%</b>
<b>Total</b>		<b>100%</b>

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](http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf)

## 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

## Course Deliverables

Students are strongly encouraged to explore the data and trading related resources available in-person and/or virtually in the DSB's Horizons Investment Decision Centre.

### **Participation**

Given the case format, your preparation and participation are essential to the course learning. Lectures will begin on time, so please ensure you are on time to minimize lecture disruption.

Name cards will be 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 all classes.

A grade for participation is allocated for thoughtful, informed comments and ideas, contributing to the vibrancy of the class discussion. Preparedness is important as you may be called upon to contribute without notice. The Instructor's assessment of the *quality* and *consistency* of a student's contribution to classroom discussion will determine the grade allocation. A passive presence or trivial commentary will negatively affect participation. Discussion is not personally directed, focusing instead on the merits of the case facts and concepts under discussion.

**All** participation must adhere to the intent and spirit of McMaster guidelines for acceptable campus and classroom behavior including courtesy and respect for fellow classmates.

### **Case Report & Presentation**

This report and in-class presentation will be completed in groups of up to 5 students (to be finalized based on course enrollment.) Each group will select one of the cases to be covered during the class. Case allocation will be made on a first-come, first-served basis. Guiding questions may be provided to help your preparation and thoughts about the case. However, these questions should not be considered as the sole basis for analyzing the case.

The duration of the in-class presentation is 20 minutes + 10 minutes for questions. The case report should be no longer than 8 pages, excluding the cover page and bibliography. A document providing guidance on case analysis is available on Avenue.

### ***In-class Exam***

The in-class exam will be based on material covered in the classroom. An 8.5 x 11 inch sheet covered with any content will be allowed. Please do not memorize equations – they will be provided as part of the exam paper.

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## ***COMMUNICATION AND FEEDBACK***

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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.degrootemcmaster.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.

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## ***ACADEMIC INTEGRITY***

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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

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### ***AUTHENTICITY/PLAGIARISM DETECTION***

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

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### ***COURSES WITH AN ON-LINE ELEMENT***

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**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.

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### ***ON-LINE PROCTORING***

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**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.

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## **CONDUCT EXPECTATIONS**

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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.

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## **MISSED ACADEMIC WORK**

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### ***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](http://mbastudent.degroote.mcmaster.ca)). Please direct any questions about acceptable documentation to the MBA Academic Advisors ([askmba@mcmaster.ca](mailto: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.

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

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

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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>

Students who are leveraging accommodation for tests and exams are supported by the SEAO. These exams are written at the Ron Joyce Centre and do not take place in the Tim Nolan Testing Centre. Correspondence for accommodations is managed via the [DSBSAS@mcmaster.ca](mailto:DSBSAS@mcmaster.ca) email address. Students must communicate their intent to leverage accommodations on a test or exam a minimum of 10 business days prior to the assessment.

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

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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 the SEAO **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

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### ***COPYRIGHT AND RECORDING***

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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.

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### ***POTENTIAL MODIFICATION TO THE COURSE***

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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.

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### ***ACKNOWLEDGEMENT OF COURSE POLICIES***

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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.**

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 F712 – Applied Corporate Finance  
Winter 2024 Course Schedule**

WEEK	DATE	LECTURE CONTENT	CHAPTER(S)
1	Jan 8	Class Outline, Schedule, Participation, Groups <i>Financial Statement and Cash Flow Analysis</i>	2, 3, 4, 5
2	Jan 15	<i>Discount Rates; Uncertainty and Risk; Cost of Capital</i> <i>Case: AB InBev, Cost of Capital</i>	6, 7, 8
3	Jan 22	<i>Capital Budgeting; Risk Management</i> <i>Case: Indian Railways and the Move to Full Electrification - Exceeding the Global Benchmark</i>	9, 10, 11, 12, 13, 14, 15
4	Jan 29	<i>Capital Structure</i> <i>Reading: Introduction to Capital Structure Analytics</i>	16, 17, 18, 19
5	Feb 5	<i>Capital Structure</i> <i>Case: Sembcorp Marine – Proposal to Restructure</i>	20
6	Feb 12	<i>Capital Structure</i> <i>Case: Garmin – Finding an Optimal Capital Structure</i>	
7	Feb 19	<b>Winter Recess – No lecture</b>	
8	Feb 26	<i>Valuation and Firm Value</i> <i>Case: The Shire/Baxalta Acquisition</i>	24, 25
9	Mar 4	The Dividend Decision <i>Reading: Dividend Policy – Four Decisions</i> <i>Case: AB InBev’s Dividend Decision</i>	21, 22, 23
10	Mar 11	Options in Corporate Finance <i>Reading: Financial Options and their Application to Corporate Finance</i> <i>Case: Input Capital – Customized Financing for Canola Producers</i>	27

11	Mar 18	Mergers & Acquisition – Competing/multiple bids <i>Case: Louis Vuitton SE's Bid for Tiffany &amp; Co (or Competing Bids for Andarko Petroleum Corp)</i>	26
12	Mar 25	Corporate Finance for Private Firms <i>Case: Hertz in Bankruptcy – A Wild Ride in Pandemic Times</i>	
13	Apr 1	<b>Exam – In-class</b> Details to be announced	
14	Apr 8	Make-up class if needed	

Details to purchase cases will be provided during the first lecture.