



VOTRE LIEN AVEC CE QUI COMPTE — CONNECTS YOU TO WHAT MATTERS

**Corporate Finance  
ADM 3350 X  
Summer 2018**

<b>Professor</b>	Dr. Dev Gandhi, Ph.D., MBA
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<b>Office Hours</b>	Thursday: 12:00 – 2:00 p.m.
<b>Class Locations</b>	FTX 147A Except on May 31 in FSS 1006
<b>Class Hours</b>	Thursday: 2:30 – 5:20 P.M.
<b>Prerequisite (s)</b>	ADM 2350
<b>Program of study</b>	Choose between the three choices below :
	BCom mandatory course
	Mandatory course of option ____ AFI ____ or specialization ____ Finance/Accounting ____
	Optional course of option ____ or specialization ____

<b>Course Deliverables</b>	<b>Due Date</b>	<b>Weight on Final Grade</b>
Homework sets	Assignments: Each is due a week after it is assigned	20%
Midterm Exams	March 1, 2017	30%
Final Exam	As scheduled	50%

## **Course Description**

The purpose of this intermediate corporate finance course is to follow up on the first introductory course in financial management. It is intended to refine and deepen student's knowledge of the theory and practice of financial decisions in a rapidly changing corporate and business environment. The course material will evolve around three major problems/decisions faced by financial managers:

- Working Capital Management (short-term capital financing: how to raise, use and manage short-term capital)
- Capital Structure Analysis (optimal debt/equity mix and long-term sources of capital)
- Dividend Policy (management decisions to pay out earnings to the firm shareholders)

Additional important topics covered include financial and ratio analysis, leasing decisions mergers and acquisitions, as well as an introduction to derivatives use and risk management.

## **Course Learning Objectives**

By the end of the course, students will be able to use course concepts and techniques to analyze and solve different financial decisions. The decision relates, among other things to capital structure decisions, dividend policies, and short-term financial management as well as financial planning, leasing and mergers and acquisitions. Students are expected to gain the skills of analyzing more complex questions in financial management and to be able to come up with sound solutions using the techniques and concepts covered throughout the course. A constant focus on financial decisions and their implications on the market valuation of the firm will be maintained.

Given the objective of the course and the importance of mastering financial techniques the course approach will be lecture and practice or demonstration problems to give students the maximum chance to understand and grasp the concepts and techniques as they are introduced in class. Towards the end of the session, some in-class group practice case assignments will be conducted and discussed for the more advanced finance themes such as financial planning, leasing and mergers and acquisitions. This will reinforce student learning by strengthening analytical and communication skills and simulating a team workplace environment. Power-point presentations will be used in class and made available through Doc-Depot. However, students are strongly urged to attend classes where more explanations and examples will be given and discussed (getting the presentation slides or just reading the book is not enough!).

## **Methods Used to Evaluate Student Performance**

There will be homework assignments to be submitted **by groups of 5 students**. Each assignment will be due a week after it is assigned. **Homework submissions should be typed**. Because time is the scarcest resource and managing time is part of your training, you are expected to fully respect the due dates for all assignments. All assignments submitted will be reviewed and returned to you for constructive pedagogical feedback.

The midterm and final exams will test your understanding and ability to work and solve numerical financial problems (similar to homework problems) along with some multiple choice and possibly conceptual/essay questions. **There will be no make-up exams.**

## **Textbook**

**Corporate Finance**, by Ross, Westerfield, Jaffe, and Roberts (Canadian Edition), McGraw-Hill Ryerson, (textbook is available at the bookstore and reserve copy available at the Management Library in DMS)

**Recommended** course binder (CB) as a supplement. It comprehensively covers and illustrates the required material for the entire course. Its purchase is optional.

### **Note:**

Please defer your purchase of course materials until we meet in the first week's class to describe the above course materials.

## Course Schedule

Class Dates	Lecture Topic and objectives	Reading Assignment <u>Problems</u> :
1	<p style="text-align: center;"><b>Cost of Capital and Budgeting Under Risk:</b></p> Review of cost of capital, capital budgeting under risk, firm and project risks, investments and project selection rules under risk	<p><u>Reading:</u> CB &amp; text Ch 13 (skip sections 13.2 and 13.3 and 13.7) CB problems to be assigned</p>
2 & 3	<p style="text-align: center;"><b>Capital Structure: Limits to the use of debt</b></p> Theory of capital structure, effect of leverage on cost equity, effect of taxes on firm value for different leverage choices, Reasons for optimal capital structure, bankruptcy cos, taxes and firm value, empirical issues.	<p><u>Reading:</u> CB &amp; text Ch. 17 (skip sections 17.5, 17.6, 17.8 and 17.9) CB Problems to be assigned</p>
4 & 5	<p style="text-align: center;"><b>Dividend Policy:</b></p> Theories and types of dividend policies, effects of dividends on accounts and stock price, alternatives to cash dividends and their effects on firm value, empirical issues.	<p><u>Reading:</u> CB &amp; text Ch. 19, CB Problems to be assigned</p>
6	<b>Review</b>	
7 Midterm Exam (in-class) June 14	<p><i>A list of formulas that will be attached to the exam. Students remain responsible for knowing the use of the formulas to answer specific questions in the exam.</i></p>	
8 & 9	<p style="text-align: center;"><b>Mergers and Acquisitions:</b></p> Mergers and acquisitions as an alternative to internal development, analysis of costs and benefits, M&A valuation and NPV methods.	<p><u>Reading:</u> CB &amp; text Ch. 30 CB problems to be assigned</p>
10	<p style="text-align: center;"><b>Introduction to Derivatives:</b></p> Basic definitions of options and stock options, call/put options, valuing options, Risk management and hedging: preliminary concepts.	<p><u>Reading:</u> CB &amp; text Ch. 23 (stop at p. 684) CB problems to be assigned</p>
11	<p style="text-align: center;"><b>Leasing:</b></p> Types of leasing arrangements, effect of leases on financial statements and leverage, cash flow effects of leasing, analysis of the leasing decision	<p><u>Reading:</u> CB&amp; text Ch. 22 (skip sections 22.5 and 22.7) CB Problems to be assigned</p>
12 July 19	<b>Time permitting: Short-term Financial Management:</b>	
<p><i>Final exam dates and location for this course will be known towards the end of the term</i></p>	<b>Final exam date, time &amp; place to be announced</b>	<p><i>The final exam will cover the topics to be announced in class.</i></p>

## **Beware of Academic Fraud**

Academic fraud is an act committed by a student to distort the marking of assignments, test, examinations and other forms of academic evaluation. Academic fraud is neither accepted nor tolerated by the University. Anyone found guilty of academic fraud is liable to severe academic sanctions.

Here are a few examples of academic fraud:

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- Engaging in any form of plagiarism or cheating;
- Presenting falsified research data;
- handing in an assignment that was not authored in whole or in part, by the student;
- submitting the same assignment in more than one course, without written consent of the professor concerned

In recent years, the development of the Internet has made it much easier to identify academic plagiarism. The tools available to your professors allow them to trace the exact origin of a text on the Web, using just a few words.

In cases where students are unsure whether they are at fault, it is their responsibility to consult the, university web site at the following address, where you will find resources, tips and tools for writing papers and assignments.

<http://web5.uottawa.ca/mcs-smc/academicintegrity/home.php>

Persons who have committed or attempted to commit (or have been accomplices to) academic fraud will be penalized. Here are some examples of the academic sanctions, which can be imposed:

- a grade of “F” for the assignment or course in question;
- an additional program requirement of between three and thirty credits;
- Suspension or expulsion from the school.

Please be advised that professors have been formally advised to report suspected case of academic fraud. In most cases of a first offence of academic fraud the sanction applied to students found guilty is an “F” for the course with an additional three credits added to their program requirements. Repeat offenders are normally expelled from the School of Management.

Finally, the Telfer School of Management asks that students sign and submit with their deliverables the Personal Ethics Agreement form. Two versions of this form exist: one for individual assignments, and one for group submissions. Assignments will not be accepted or marked if this form is not submitted and signed by all authors of the work. We hope that by making this personal commitment, all students will understand the importance the School places on maintaining the highest standards of academic integrity. The forms are accessible on doc-dépôt.

En français: [http:// doc-depot.gestion.uotrtawa.ca/](http://doc-depot.gestion.uotrtawa.ca/) (et suivez le lien “intégrité Académique”)  
In English: [http:// doc-depot.management.uottawa.ca/](http://doc-depot.management.uottawa.ca/) (then click on “academic integrity”)

## Personal Ethics Statement Concerning Telfer School Assignments

### Group Assignment:

By signing this Statement, I am attesting to the fact that I have reviewed not only my own work, but the work of my colleagues, in its entirety.

I attest to the fact that my own work in this project meets all of the rules of quotation and referencing in use at the Telfer School of Management at the University of Ottawa, as well as adheres to the fraud policies as outlined in the Academic Regulations in the University's Undergraduate Studies Calendar. I further attest that I have knowledge of and have respected the "Beware of Plagiarism" brochure found on the Telfer School of Management's doc-depot site.

To the best of my knowledge, I also believe that each I also believe that each of my group colleagues has also met the rules of quotation and referencing aforementioned in this Statement.

I understand that if my group assignment is submitted without a signed copy of this Personal Ethics Statement from each group member, it will be interpreted by the Telfer School that the missing student(s) signature is confirmation of non-participation of the aforementioned student(s) in the required work.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Last name (print, First Name (print)

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Student number

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Signature

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Student number

**Personal Ethics Statement:**

**Individual Assignment:**

By signing this Statement, I am attesting to the fact that I have reviewed the entirety of my attached work and that I have applied all the appropriate rules of quotation and referencing in use at the Telfer School of Management at the University's Undergraduate Studies Calendar. I further attest that I have knowledge of and have respected the "Beware of Plagiarism" brochure found on the Telfer School of Management's doc- depot site.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Student Number

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**Learning goals-BCom.**

(Goals highlighted in yellow apply to this course)

- LG1** Understand, Apply and Integrate Core Management Disciplines
- LG2** Demonstrate Critical Thinking and Decision Making Skills
- LG3** Demonstrate Leadership, interpersonal and communication skills
- LG4** Apply high standards of Integrity, Ethics and Social Responsibility
- LG5** Demonstrate the ability to perform in a culturally Diverse Environment
- LG6** Pursue Self-Development and Exhibit a commitment for Life-Long Learning
- LG7** Provide value to the Business Community in a chosen Area of Specialization