



## DEPARTMENT OF BUSINESS AND OFFICE ADMINISTRATION

### COURSE OUTLINE – WINTER 2018

#### **FN 3700 Introduction to Corporate Financial Management 3 (3-0-1) UT 60 Hours**

**INSTRUCTOR:** Dr. Chuntai Jin                      **PHONE:** (780) 539-2857  
**OFFICE:** C309    **E-MAIL:** cjin@gprc.ab.ca  
**OFFICE HOURS:** Monday and Wednesday, 10:00 – 11:30 am.

#### **CALENDAR DESCRIPTION:**

This course provides a general corporate framework for financial decision making. The course examines types of securities, basic methods of valuation, valuation and selection of physical and intellectual assets, operation of asset markets, market efficiency, risk measures and risk reduction methods, financing policy, including choices between debt and equity financing.

#### **PREREQUISITE(S)/COREQUISITE:**

ST 1510 and AC 3110

#### **REQUIRED TEXT/RESOURCE MATERIALS:**

1. J. Berk, P. DeMarzo, and D. Stangeland, *Corporate Finance*, 3<sup>rd</sup> Canadian Edition, Pearson Canada, 2015.
2. Financial Calculator:
  - Texas Instruments: TI-BA II Plus (**recommended**) or TI-BA II Plus Professional.
  - Hewlett Packard financial calculators: HP-10BII, HP-12C or higher level HP calculators.
3. *MyFinanceLab* Access Code:

*MyFinanceLab* software allows students to practice course material without limit. The software will also help you identify topics you still need to work on and will create a personalized study plan. Furthermore, you are required to complete a series of online homework assignments and quizzes in *MyFinanceLab*. You will need a code to access *MyFinanceLab*. There are two ways to acquire an access code:

  - A code is included with the purchase of a new textbook. New textbook may be purchased from the Book Store.
  - Students not wishing to use a new hardcopy of the textbook may instead purchase E-text along with the access code from the following website.

<http://catalogue.pearsoned.ca/educator/product/Corporate-Finance-Third-Canadian-Edition-Plus-NEW-MyFinanceLab-with-Pearson-eText-Access-Card-Package-3E/9780133552683.page>

**DELIVERY MODE(S):**

For each topic listed, there will be a classroom lecture/discussion and a demonstration of related applications. I will assign relevant textbook readings and problems to test your knowledge, understanding and application of the material. You may supplement your studying with *MyFinanceLab*.

**COURSE OBJECTIVES:**

This course introduces students to the fundamentals of finance and presents theories and tools to be used in addressing corporate finance problems and issues. The following topics will be addressed in this course: financial statement analysis, time value of money, interest rates conversion, bonds and stocks valuation, investment decision rules, capital budgeting analysis, capital structure, capital asset pricing model, raising equity capital, debt financing, leasing, dividend payout policy, working capital management, financial options.

**LEARNING OUTCOMES:**

Upon completion of this course students should be able to:

- Summarize the three organizational forms, the fundamentals of financial management decisions and the role and goal of the financial manager.
- Understand the basics of financial statement analysis including ratio analysis, free cash flow analysis, trend analysis, etc.
- Calculate the present value and future value of different types of cash flow streams including a single payment, regular and growing annuities, and regular and growing perpetuities.
- Apply the time value of money techniques in different types of loan payment calculations including mortgages, credit cards, car loans, etc.
- Understand the differences between simple interest and compound interest.
- Convert between effective annual interest rate (EAR) and annual percentage rate (APR).
- Describe the characteristics of different types of bonds and their main features.
- Understand the relationship between price, yield to maturity, coupon rate, and term to maturity of a bond.
- Examine the bond valuations using time value of money techniques.
- Demonstrate the stock valuations using dividend-discount model, total payout model, free cash flow model and valuation multiples.
- Summarize the characteristics of different investment decision rules including net present value (NPV), internal rate of return (IRR), payback period and profitability index (PI).
- Understand the following concepts: mutually exclusive versus independent projects, reinvestment assumption, capital rationing, and net present value profile.
- Understand the basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC), CCA tax shield and their effects on relevant cash flow analysis.
- Determine the relevant cash flows, evaluate capital budgeting analysis, and calculate the NPV of the investment projects.
- Analyze the investment projects using break-even analysis, sensitivity analysis, and scenario analysis.

- Measure risk and return of a financial security with respect to expected value, standard deviation, and coefficient of variation.
- Understand the importance of diversification in stock portfolios and measure systematic risk.
- Understand the optimal portfolio choice and the capital asset pricing model (CAPM).
- Understand the Modigliani-Miller (MM) capital structure theory.
- Explain the relationship between equity cost of capital, debt cost of capital, and weighted average cost of capital (WACC) and the impact of capital structure on WACC.
- Demonstrate the optimal capital structure with tax effects.
- Summarize the dividend payout procedures.
- Compare alternative decisions related to distribution of profits in terms of dividend payout and retained earnings policy.
- Evaluate the impact of cash dividends, stock dividend, stock split, share repurchase, and dividend reinvestment on share price.
- Understand the mechanics of equity financing.
- Demonstrate the underwriting process in initial public offering (IPO).
- Differentiate between common stock and preferred stock financing.
- Understand the following equity financing related concepts: angel investors, venture capitalists, securitization, private placement, primary and secondary offering, convertible securities, etc.
- Evaluate debt instruments and explain the differences between debt and lease financing.
- Compare lease versus buy decisions.
- Understand the importance of liquidity and working capital management.
- Explain the operating and cash cycles and why they are important.
- Understand issues related to receivables, payables, inventory, and cash management.
- Understand the basics of call and put options and to calculate their payoffs and profits.

### **TRANSFERABILITY:**

FN 3700 is transferable to the following Alberta Colleges and Universities:

- Athabasca University: FNCE 370 (3)
- Concordia University College of Alberta: BUS 3xx (3)
- King's University College, The: BUSI 370 (3)
- MacEwan University: FNCE 301 (3)
- University of Alberta: FIN 301 (3) OR AU Option 2xx (3)
- University of Calgary: FNCE 341 (3)
- University of Lethbridge: MGT 3040 (3)

Students can also refer to the Alberta Transfer Guide at

<http://alis.alberta.ca/ps/tsp/ta/tbi/onlinesearch.html?step=5&>

\*\* A grade of D or D+ may not be acceptable for transfer to other post-secondary institutions.

**Students are cautioned that it is their responsibility to contact the receiving institutions to ensure transferability.** Students are therefore *strongly advised* to check with the receiving institution regarding transferability.

## EVALUATIONS:

Assignments (10/12).....available on <i>Moodle</i> .....	10%	
Quizzes (10/12).....available on <i>MyFinanceLab</i> .....	20%	
Midterm Exam 1 .....	<b>Thursday, Feb 1</b> .....	20%
Midterm Exam 2 .....	<b>Thursday, Mar 1</b> .....	20%
Final Exam.....	Location and time TBA .....	30%

## QUIZ AND EXAM POLICIES:

- There are 12 Assignments which are available on Moodle. Assignments need to be handed in on Tuesday of every week at the beginning of the lecture. We'll discuss some of the questions in class.
- There are 12 online quizzes through *MyFinanceLab*, which requires your registration (see instructions on P6). Pay attention to the start and due dates.
- Late assignments and quizzes will **NOT** be accepted.
- Two **midterm exams** are tentatively scheduled for **Feb. 1, 2018** and **Mar. 1, 2018**. Do not plan activities or trips outside of your college studies on these 2 days. No makeup exam for the midterm will be given. A student who misses the midterm exam for a legitimate reason (e.g., illness) will have the weight of the midterm added to the final exam. Students are not allowed to miss the midterm exam unless a valid medical excuse is provided. A grade of zero will be given to a missed examination without a legitimate reason. Students with valid medical excuses must obtain a doctor's certification that the student's condition is severe enough to prevent the student from taking the examination or test.
- **Final exam** is cumulative and will be scheduled by the Registrar during the April exam period. Do not plan activities or trips outside of your college exams during this time period.
- Both midterm and final exams will be closed book except as follows: a **one-sided** 8.5" x 11" formula sheet can be taken into the midterm and a two-sided 8.5" x 11" sheet can be taken into the final. Improper formula sheets will be confiscated.
- **Moodle:** Important information, assignment questions, lecture notes and exam grades will be posted on Moodle. It is students' responsibilities to check Moodle regularly for any updates.

## GRADING CRITERIA:

Please note that most universities will not accept your course for transfer credit **IF** your grade is **less than C-**. This means **DO NOT GET LESS THAN "C-" IF YOU ARE PLANNING TO TRANSFER TO A UNIVERSITY.**

Alpha Grade	4-point Equivalent	Percentage Guidelines	Alpha Grade	4-point Equivalent	Percentage Guidelines
A+	4.0	90-100	C+	2.3	67-69
A	4.0	85-89	C	2.0	63-66
A-	3.7	80-84	C-	1.7	60-62
B+	3.3	77-79	D+	1.3	55-59
B	3.0	73-76	D	1.0	50-54
B-	2.7	70-72	F	0.0	00-49

## **COURSE SCHEDULE/TENTATIVE TIMELINE:**

You will find that the course progresses quickly and the material covered builds on earlier material. It is important to stay current in your studies otherwise you will not understand the new material as it is presented. If you read the textbook in advance of the relevant classes, you will have a much better chance of keeping pace with the material.

<b><u>Part</u></b>	<b><u>Topics</u></b>	<b><u>Required Reading</u></b>
1. Introduction	The Corporation; Financial Statement Analysis	Chapter 1, 2
2. Tools	Arbitrage, Financial Decision Making, Time Value Of Money; Interest Rates	Chapter 3, 4, 5
3. Basic Valuations	Bonds and Stocks Valuation; Investment Decision Rule; Capital Budgeting Analysis	Chapter 6, 7, 8, 9
4. Risk and Return	Pricing of Risk; Optimal Portfolio Choice, Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC)	Chapter 10, 11
5. Capital structure and dividend policy	Capital Structure, Debt and Taxes, Dividend Payout Policy	Chapter 17, 18, 20
6. Long-term and short-term financing	Raising Equity Capital, Debt Financing, Leasing, Working Capital Management	Chapter 23, 24, 25, 26
7. Options (if time permits)	Financial Options	Chapter 14

## **STUDENT RESPONSIBILITIES:**

- Each student is expected to come to class (including labs) on time. Arriving late is disruptive to the entire class. The expectation for this course is that students have read the material and attempted the exercises and problems we will cover in class. Reading and practicing problems prepares you for classroom activities.
- Adopting and adhering to effective learning habits in this course will likely take up a great deal of time so plan your schedule accordingly. It is difficult to catch up once a student falls behind in readings and problems.
- The use of cell phones during class time is unprofessional and distracting to the instructor and fellow students. Texting during class is therefore strictly prohibited. Cell phones must be either turned off or set to silent mode.

## **STATEMENT ON PLAGIARISM AND CHEATING:**

Cheating and plagiarism will not be tolerated and there will be penalties. For a more precise definition of plagiarism and its consequences, refer to the Student Conduct section of the College Admission Guide at <http://www.gprc.ab.ca/programs/calendar/> or the College Policy on Student Misconduct: Plagiarism and Cheating at [www.gprc.ab.ca/about/administration/policies/\\*\\*](http://www.gprc.ab.ca/about/administration/policies/**)

\*\*Note: all Academic and Administrative policies are available on the same page.

## Student Registration Instructions for MyFinanceLab:

### To register for **FN3700\_Introduction to Corporate Financial Management**:

1. Go to [www.pearson.com/mylab](http://www.pearson.com/mylab).
2. Under Register, select **Student**.
3. Confirm you have the information needed, then select **OK! Register now**.
4. Enter your instructor's course ID: **jin74556**, and **Continue**.
5. Enter your existing Pearson account **username** and **password** to **Sign In**.
  - You have an account if you have used a Pearson product, for example: MyMathLab, MyITLab, MyPsychLab, MySpanishLab or Mastering, such as MasteringBiology.
  - If you don't have an account, select **Create** and complete the required fields.
6. Select an access option.
  - Use the access code that came with your textbook or that you purchased separately from the bookstore.
  - Buy access using a credit card or PayPal account.
  - If available, get temporary access by selecting the link near the bottom of the page.
7. From the confirmation page, select **Go To My Courses**.
8. On the My Courses page, select the course tile **FN3700\_Introduction to Corporate Financial Management** to start your work.

### To sign in later:

1. Go to [www.pearson.com/mylab](http://www.pearson.com/mylab).
2. Select **Sign In**.
3. Enter your Pearson account **username** and **password**, and **Sign In**.
4. Select the course tile **FN3700\_Introduction to Corporate Financial Management** to start your work.

### To upgrade temporary access to full access:

1. Go to [www.pearson.com/mylab](http://www.pearson.com/mylab).
2. Select **Sign In**.
3. Enter your Pearson account **username** and **password**, and **Sign In**.
4. Select **Upgrade access** from the course tile **FN3700\_Introduction to Corporate Financial Management**.
5. Enter an access code or purchase access with a credit card or PayPal account.

For a registration overview, go to [www.pearsonmylabandmastering.com/students/get-registered](http://www.pearsonmylabandmastering.com/students/get-registered). Scroll down to **Need a little help?** and select a video.