



DEPARTMENT OF BUSINESS AND OFFICE ADMINISTRATION

COURSE OUTLINE –WINTER 2021

FN3700 A3 Introduction to Corporate Financial Management – 3 (3-0-1) UT 60 Hours for 15 Weeks

INSTRUCTOR: Dr. Chuntai Jin **PHONE:** (780) 539-2857
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OFFICE HOURS: TBA

WINTER 2021 DELIVERY:

Remote Delivery. This course is delivered remotely. There are no face-to-face or onsite requirements. Students must have a computer with a webcam and reliable internet connection. Technological support is available through helpdesk@gprc.ab.ca

Note: GPRC reserves the right to change the course delivery.

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 or BA2060 and AC 3110 or BA1120

REQUIRED TEXT/RESOURCE MATERIALS:

Textbook: Corporate Finance, 4th Canadian Edition, *Pearson Canada*, by Berk, DeMarzo, and Stangeland
<http://catalogue.pearsoned.ca/educator/product/Corporate-Finance-Fourth-Canadian-Edition-Plus-MyLab-Finance-with-Pearson-eText-Access-Card-Package/9780134887456.page#downlaoddiv>

This textbook includes *MyLab Finance*. *MyLab* is a learning platform that allows students to practice course material without limit. It 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 assignments and quizzes in *MyLab*. All students must have access to *MyLab*. You need an access code to register for *MyLab Finance* for this course. Registration instructions are available in the Registration Module on D2L.

Financial calculator:

- Texas Instruments: TI-BA II Plus (**recommended**) or TI-BA II Plus Professional or
- Hewlett Packard: HP-10BII or HP-12C

DELIVERY MODE(S):

Remote Delivery. This course is delivered remotely. There are no face-to-face or onsite requirements. Students must have a computer with a webcam and reliable internet connection. This course consists of three hours of lecture and one hour of lab per week.

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, dividend payout policy, and financial options.

LEARNING OUTCOMES:

Upon completion of this course students should be able to understand and explain:

- the three organizational forms, the fundamentals of financial management decisions and the role and goal of the financial manager.
- the basics of financial statement analysis including ratio analysis, free cash flow analysis, trend analysis, etc.
- how to 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.
- how to apply the time value of money techniques in different types of loan payment calculations including mortgages, credit cards, car loans, etc.
- the differences between simple interest and compound interest.
- how to convert between effective annual interest rate (ear) and annual percentage rate (apr).
- the characteristics of different types of bonds and their main features.
- the relationship between price, yield to maturity, coupon rate, and term to maturity of a bond.
- bonds valuations using time value of money techniques.
- stocks valuations using dividend-discount model, total payout model, free cash flow model and valuation multiples.
- the characteristics of different investment decision rules including net present value (npv), internal rate of return (irr), payback period and profitability index (pi).
- the following concepts: mutually exclusive versus independent projects, reinvestment assumption, capital rationing, and net present value profile.
- the basics of capital cost allowance (cca) and undepreciated capital cost (ucc), cca tax shield and their effects on relevant cash flow analysis.
- how to determine the relevant cash flows, evaluate capital budgeting analysis, and calculate the npv of the investment projects.
- how to analyze the investment projects using break-even analysis, sensitivity analysis, and scenario analysis.
- how to measure risk and return of a financial security with respect to expected value, standard deviation, and coefficient of variation.
- the importance of diversification in stock portfolios and measure systematic risk.

- the optimal portfolio choice and the capital asset pricing model (capm).
- the modigliani-miller (mm) capital structure theory.
- 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.
- the optimal capital structure with tax effects.
- the dividend payout procedures.
- alternative decisions related to distribution of profits in terms of dividend payout and retained earnings policy.
- how to evaluate the impact of cash dividends, stock dividend, stock split, share repurchase, and dividend reinvestment on share price.
- the basics of call and put options and to calculate their payoffs and profits.

TRANSFERABILITY:

Please consult the Alberta Transfer Guide for more information. You may check to ensure the transferability of this course at the Alberta Transfer Guide main page <http://www.transferalberta.ca>.

**** 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.**

EVALUATIONS:

| | |
|--------------------------------|-----|
| Assignments (best 10/12) | 15% |
| Quizzes (best 10/12)..... | 15% |
| Midterm Exam 1..... | 20% |
| Midterm Exam 2..... | 20% |
| Final Exam | 30% |

GRADING CRITERIA: (The following criteria may be changed to suite the particular course/instructor)

Please note that most universities will not accept your course for transfer credit **IF** your grade is **less than C-**.

| 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:

| Part | Topics | Chapter |
|----------------------|---|--------------|
| 1. Introduction | The Corporation; Financial Statement Analysis | 1, 2 |
| 2. Tools | Arbitrage and Financial Decision Making; The Time Value of Money; Interest Rates | 3, 4, 5 |
| | Midterm 1 | 1 - 5 |
| 3. Basic Valuations | Bonds Valuation; Stocks Valuation; Investment Decision Rules; Capital Budgeting Analysis | 6, 7, 8, 9 |
| | Midterm 2 | 6 - 9 |
| 4. Risk and Return | Capital Markets and the Pricing of Risk; Optimal Portfolio Choice and the Capital Asset Pricing Model; Weighted Average Cost of Capital | 10, 11 |
| 5. Capital Structure | Capital Structure in a Perfect Market; Debt and Taxes; Payout Policy | 17, 18, 20 |
| 6. Options | Financial Options | 14 |

* Course schedule is approximate and may vary slightly at the discretion of the instructor.

STUDENT RESPONSIBILITIES:

Attendance: Students are expected to attend all scheduled classes, arrive on time, and remain for the duration of the activities. Arriving late or leaving early is disruptive to the entire class. Frequent tardiness may be treated as absence. **Students with absences in excess of 6 classes may be refused permission to write the final exam.** For more information, please refer to the Academic Regulations on Debarred from Exams at <https://www.gprc.ab.ca/programs/grading-systems.html>

Time Management: The expectation for this course is that students read the chapter prior to class. 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 required readings and exercises.

Cell Phones: The use of cell phones during class time is unprofessional and distracting to the instructor and fellow students. Texting and talking on a cell phone during class is therefore strictly prohibited. Cell phones must be either turned off or set to silent mode and placed out of sight.

Email: Email is the preferred option to communicate with your instructor. **Email correspondence to your instructor must be sent from your GPRC student email account.** Emails should be professionally formatted and include a subject, correct spelling and grammar, and a reference to course material and/or textbook pages, etc. Emails that do not adhere to this format may not be responded to.

Recording: Photographing and/or recording course content is strictly prohibited.

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 Calendar at <http://www.gprc.ab.ca/programs/calendar/> or the College Policy on Student Misconduct: Plagiarism and Cheating at <https://www.gprc.ab.ca/about/administration/policies>

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

Plagiarism: Plagiarism means submitting work (words, ideas, images, or data) in a course as if it were their own work done expressly for that particular course when, in fact, it is not. Most commonly, plagiarism exists when:

- the work submitted or presented was done, in whole or in part, by an individual other than the student (this includes having another person impersonate the student or otherwise substitute the work of another for their own in an assignment, examination, or test)
- parts of a student's work are taken from another source without reference to the original author. This includes ideas, words, and images appearing in print, digital, graphical, internet, audio and video formats
- students submit or present the work in one course which has also been submitted in another course (although it may be completely original with the student) without the prior agreement of the instructor
- clinical or laboratory reports are falsified or fabricated.

While it is recognized that academic work often involves reference to ideas, data and conclusions of others, intellectual honesty requires that such references be explicitly and clearly noted. Instructors may choose to use online plagiarism detection services. When students submit a paper, it is understood that they are consenting to such a procedure and that they cannot claim any copyright violation should such paper be uploaded to an online plagiarism detection database.

Cheating: Cheating on tests or examinations includes, but is not limited to, the following:

- dishonest or attempted dishonest conduct such as speaking to other students or communicating with them under any circumstances whatsoever
- bringing into the examination room a textbook, notebook, memorandum, other written material or mechanical or electronic device not authorized by the examiner or instructor
- writing an examination, or part of it, outside the confines of the examination room without permission to do so
- consulting any person or materials outside the confines of the examination room without permission to do so
- leaving answer papers exposed to view, or any attempts to read other students' examination papers
- tampering or attempts to tamper with examination scripts, class work, grades and/or class records; the acquisition, attempted acquisition, possession, and/or distribution of examination materials or information not authorized by the instructor
- impersonation of another student in an examination or other class assignment.

Absolutely no examination materials may be removed from the examination room. All papers, answer forms and examination question sheets must be returned to the instructor. If students leave the examination room for any reason unacceptable to the instructor, they must hand in all examination materials and it will be assumed that the examination is completed.

If students voluntarily and consciously aid another student in the commission of one of these offenses, they are also guilty of misconduct. Any attempt to commit academic misconduct will bear the same consequences as if the act occurred. A student who assists another student in an act or attempted act of misconduct will also be considered to have committed an offense.

ASSIGNMENTS, QUIZZES AND EXAMS:

Students are expected to finish all assignments and quizzes. Due dates of all assignments and quizzes are available on *MyLab*. **Late/missed assignments and quizzes are NOT accepted** and **will result in a grade of zero**. All exams will be written as scheduled. **No rewrite/rescheduled exams will be given**, and **all missed exams will result in a grade of zero** unless there is an excusable absence and prior arrangements have been made with the instructor. If there is a legitimate reason of absence, the weighting of the missed midterm exam will be added to the final exam weighting.

- Course materials (course outline, lecture notes, *MyLab* instructions, etc.) are available on your D2L course space <https://myclass.gprc.ab.ca/d2l/home>.
- Assignments, quizzes, and exams will be available on *MyLab Finance*.

Assignments

- There will be 12 assignments throughout the semester. The best 10/12 will account for 15% of your final grade. Each assignment will be worth 1.5% of the student's final grade, regardless of the length of the assignment.
- The assignments will be marked immediately. Corrections for the attempted assignment will be made available to the students immediately.

Quizzes

- There will be 12 quizzes throughout the semester. The best 10/12 will account for 15% of your final grade. Each quiz consists of 20 multiple choice questions.
- The quizzes will be marked immediately. Corrections for the attempted quiz will be made available to the students after the due date.
- Once you start the quiz, you must complete the entire quiz within the one-hour time limit. Logging off or losing the internet connection during the quiz will result in a grade based only on the proportion of the quiz that has been completed. It is imperative that the student has a reliable internet connection when attempting the quiz.

Exams

- The midterm exam 1 will be written upon the completion of Chapter 5 and is tentatively scheduled for the week of ***Feb. 1-5***. The midterm exam 2 will be written upon the completion of Chapter 9 and is tentatively scheduled for the week of ***Mar. 8-12***. The final exam is cumulative and will be scheduled by the registrar's office during April exam period.