

## DEPARTMENT OF BUSINESS AND OFFICE ADMINISTRATION

### COURSE OUTLINE – Winter 2023

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

Northwestern Polytechnic acknowledges that our campuses are located on Treaty 8 territory, the ancestral and present-day home to many diverse First Nations, Metis, and Inuit people. We are grateful to work, live and learn on the traditional territory of Duncan's First Nation, Horse Lake First Nation and Sturgeon Lake Cree Nation, who are the original caretakers of this land.

We acknowledge the history of this land and we are thankful for the opportunity to walk together in friendship, where we will encourage and promote positive change for present and future generations.

**INSTRUCTOR:** Chuntai Jin, PhD                      **PHONE:** (780) 593-2857  
**OFFICE:** C309    **E-MAIL:** cjin@nwpolytech.ca  
**OFFICE HOURS:** Monday & 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 or BA2060 and AC 3110 or BA1120

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

1. Textbook: Corporate Finance, 5<sup>th</sup> Canadian Edition, Pearson Canada, by Berk, DeMarzo, and Stangeland
2. MyLab Finance Access Code: MyLab is an on-line 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. You need an access code to register for MyLab Finance for this course. 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.

[Corporate Finance, Canadian Edition -- MyLab Finance with Pearson eText](#)

3. 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):**

**On-campus (face-to-face)** – This type of course will be delivered on campus in a specific location which will be indicated on the student timetable. Students are expected to fully attend in person.

**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 .....	20%
Midterm Exam 1.....	20%
Midterm Exam 2.....	20%
Final Exam .....	40%

**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

**STUDENT RESPONSIBILITIES:**

**Attendance:** Students are expected to attend all scheduled lectures, arrive on time, and remain for the duration of the activities. Arriving late and leaving early is disruptive to the entire class. Frequent tardiness may be treated as an 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>

**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 NWP 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** unless advance permission is obtained from the instructor and any guest presenter(s). In the event permission is granted, such recordings may only be used for individual study, and may not be reproduced, transferred, distributed or displayed in any public manner.

**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 Northwestern Polytechnic Calendar at <https://www.nwpolytech.ca/programs/calendar/> or the Student Rights and Responsibilities policy which can be found at <https://www.nwpolytech.ca/about/administration/policies/index.html>.

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

## ASSIGNMENTS, QUIZZES AND EXAMS:

Students are expected to complete all assignments before the due dates. **Late/missed assignments 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, connect instructions, etc.) are available on your D2L course space (<https://myclass.gprc.ab.ca/d2l/home>). Assignments will be available on *MyLab Finance*. <https://mlm.pearson.com/northamerica/myfinancelab/>

- There are 12 assignments throughout the semester. The best 10/12 accounts for 20% of the final grade with each assignment worth 2% of the final grade, regardless of the length of the assignment.
- Midterm 1 is scheduled for **February 16**. Midterm 2 is scheduled for **March 16**. The final exam will be scheduled by the registrar's office during the April exam period.

## 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
	<b>Midterm 1</b>	<b>1 - 5</b>
3. Basic Valuations	Bonds Valuation; Stocks Valuation; Investment Decision Rules; Capital Budgeting Analysis	6, 7, 8, 9
	<b>Midterm 2</b>	<b>6 - 9</b>
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.