



ECON 454 A01 Theory of Corporate Finance

Fall Session: 2025 – CRN 11134, Unit Value 1.5,

Meet on Tuesday Wednesday Friday at 10.30-11.20

UVic Land Acknowledgement

We acknowledge and respect the Ləkʷəŋən (Songhees and Esquimalt) Peoples on whose territory the university stands, and the Ləkʷəŋən and W̱SÁNEĆ Peoples whose historical relationships with the land continue to this day.

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Office Hours: In person: 11.30-12.20 Wednesday. Zoom: email request

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Course Content

Corporate finance is the study of how firms attract and reward capital to finance their operations. We will survey some corporate finance topics that are of particular interest to economists, such as, the determinants of capital structure, dividend policy, capital budgeting, contracting and firm incentives, the role of financial intermediaries, and mergers and takeovers.

Learning Outcomes

Explain the key concepts of corporate finance (time value of money, valuation of projects, net present value and cost of capital); use valuation methods; explain the difference between financial and accounting valuation; explain the Modigliani and Miller theorem and understand its limitations; recognize the main factors affecting a firm's capital structure and its dividend policy.

Course prerequisites/corequisites

ECON 305, 313 (min B-). You should be able to handle algebra and arithmetic, to deal with formulas and equations, and have a basic Excel or advanced calculator knowledge.

Textbook

We will use a free online textbook 'Corporate Finance' by Ivo Welch: Corporate Finance by Ivo Welch <http://book.ivo-welch.info/read/> (download "General" version). You can order a print copy from an online printer. I have used Lulu

You will complete the quizzes on an outside platform called Acepi (acepi.com). You will have to pay US\$12.95 the first time you login through the BrightSpace link. See discussion on the last page of this course outline regarding personal information stored outside Canada.

Brightspace

Brightspace is used extensively for the course. All students are expected to be fully functional with the system. The lecture notes will be posted in *Brightspace*. Please note that the lecture notes online are only outlines of the actual lectures. All announcements will be posted in *Brightspace*. Students are advised to check it frequently.

Grading

Grading Scheme

Your final grade will be determined as follows:

Accepi quizzes	15%
Reading notes	15%
Midterms	45%
Firm write-ups	15%
Participation	<u>10%</u>
	100%

A detailed rubric will be posted for each evaluation component. Here is a brief description of the course components:

Accepi Quizzes: I will post quizzes at the end of each week (10 in total). Each time, you will start with a practice quiz to help you learn the material, and subsequently complete a homework quiz to check that you understand the course material. Each quiz grade will take into account a number of criteria including your scores, your number of attempts, whether you requested to see the solution, late submission... Your overall quiz grade will ignore your lowest grade.

Reading Notes (RN): There will be 3 RN about covering cases and readings. Your lowest grade will not count unless you want to qualify for an A. The questions in the RN help you understand the material and encourage you to contribute to stimulating classroom discussions. Your RN should be written in full sentences and be grammatically correct. Plagiarism is not acceptable. Be sure to quote and cite material when appropriate.

Firm Write-Ups (FWU): There will be 3 FWU. Your lowest grade will not count unless you want to qualify for an A. At the beginning of the term, you will choose a firm (that must be different from the one chosen by any other student), that you will use throughout the term to apply the course concepts. The FWU format is similar to the one for the RN. I will post questions about the current topic and ask you to answer these questions from the perspective of your firm. You will be asked to study the financials of a specific company and keep a journal that applies the tools from the class.

Participation: You are encouraged to participate (asking questions, in-class and online discussions). I will take attendance once in each of the 10 weeks of the term in which we meet all three day (TWF) and this will count toward your participation grade.

Midterms: There will be 3 midterms. You must take two midterms to complete the course and all three if you want to qualify for an A, in which case your midterm grade will be the average of your 3 grades. Otherwise, it will be the average of your top 2 grades.

Mandatory Course Components

All 5 components are essential course requirements and cannot be waived. The midterms are mandatory course requirements: You must attempt at least two midterms to pass the course.

Necessary requirements to qualify for an A-/A/A+: (i) Complete all three RN and FWU. (ii) Attempt all three midterms.

Expectations: You are required to check BrightSpace before each class. The site is regularly updated with new material. You are responsible to have read posted announcements. The suggested out-of-course workload is targeted for an average of 5 hours per week, sometimes more, sometimes less, roughly allocated as follows: 2 hours to review the class material, 1 hour to complete the weekly quiz, and 2 hours complete the course assignment or prepare for the next midterm.

Dates of Assessments, Due Dates of Assignments

Assignments: Weekly announcement on Brightspace.

Midterm: The midterm exams are scheduled October 3rd, October 30th and December 3rd.

Grading Scale

A+	A	A-	B+	B	B-	C+	C	D	F or N
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	50-59	0-49

Students should review the University's more detailed [summary of grading](#).

Missing Assessments

Should students encounter a situation where they miss a midterm, they may qualify for an academic concession. Students are required to indicate the specific grounds on which they are requesting an academic concession and to provide a justification outlining the impact of the circumstances on their ability to complete course requirements. For in-course extensions, please [fill in the form and follow the instructions on the form](#). I will not respond to informal requests of academic concessions. In case you miss two midterms, fill in a [request for a deferral](#).

Students should not make work or travel plans on the midterm dates, as there will be no special accommodation.

Please note that some of the assessment components during the term have built in flexibility for all students: you can miss a quiz, RN, FWU or midterm and still pass the class and receive a grade up to B+. This is to reduce the need for in-course concessions via special arrangements.

Course Structure

See Brightspace for more information

Week	Topic	Chapter
1	Course introduction	

2	Review of PV and valuation	1-4
3	Time varying rates and default	5-6
4	Risk and return	7-8
5	Benchmark cost of capital and CAPM	9-10
6	Capital budgeting	13
7	Financial statements	14
8	Corporate claims	
9	Capital structure in a perfect market	16
10	Capital structure in imperfect market: Tax	17
11	Reading break	
12	Capital structure in imperfect market: Information	18
13	Dividends	20
14	Guest speaker and last midterm	

Course Policies

This course adheres to the [Undergraduate Course Policies](#) of the Department of Economics that deal with the following issues:

- Academic concessions
- Academic integrity (plagiarism and cheating)
- Attendance
- Grading
- Inclusivity and diversity
- Late adds
- Late assignments
- Repeating courses
- Review of an assigned grade
- Sexualized violence prevention and response
- Students with a disability
- Term assignments and debarment from examinations
- Travel plans
- Waitlists

The following policies are explicitly included because of their importance:

Waitlist Policies

- Instructors have no discretion to admit waitlisted students or raise the cap on the course.
- Students on the waitlist should discuss with the instructor how to ensure they are not behind with coursework in the event they are admitted.
- Registered students who do not participate as specified in this outline during the first 7 calendar days from the start of the course may be dropped from the course.
- Registered students who decide not to take the course are responsible for dropping the course and are urged to do so promptly out of courtesy toward waitlisted students.
- Waitlist offers cease after the last date for adding courses irrespective of published waitlists.

Academic Integrity

Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the [Policy on Academic Integrity](#) in the University Calendar, is subject to penalty by the University.

Review [What is Plagiarism](#) for the definition of plagiarism. Note: Submitted work may be checked using plagiarism detection software.

Specifically, online Acepi quizzes must be completed individually and not with anyone, including a friend, classmate, or group, nor can you search for answers to the questions (using a search engine, artificial intelligence tools or any other digital or non-digital method). You can, however, use the textbook and online sources to review the class material. You are also prohibited from sharing any information about the quiz with others. For these quizzes, I will ask you to fill the following statement:

I (write your name) _____ affirm that I will not give or receive any aid on this quiz or access any unauthorized resources and that all work will be my own.

For RN and FWU you are allowed to discuss the assignment with classmates, do search or use artificial intelligence tools, but you should write your answers on your own, not copying from any source (e.g. classmate, google search, artificial intelligence) and what you hand in cannot be shared with anyone. I will ask you to write the following statement:

I, the person who is submitting this reading note, affirms that I have written this assignment on my own, that I have not copied the answer from any source or shared the answers, and that no one has edited or corrected my answers.

Student Code of Conduct

The Humanities, Science, and Social Sciences Faculties have adopted this [Student code of conduct](#). Please, review.

University Policies

- University Calendar - Section "[Information for all students](#)"
- [Creating a respectful, inclusive and productive learning environment](#)
- [Accommodation of Religious Observance](#)
- [Student Conduct](#)
- [Non-academic Student Misconduct](#)
- [Accessibility](#)
- [Diversity / EDI](#)
- [Equity statement](#)
- Discrimination and Harassment [Policy](#)
- [Policy on Human Rights, Equity and Fairness](#) - The University is committed to promoting, providing and protecting a positive, supportive and safe learning and working environment for all its members.

Sexualized Violence Prevention & Response

UVic takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting www.uvic.ca/svp. If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity and Human Rights (EQHR). Contact svpcoordinator@uvic.ca.

Resources for Students

[UVic Learn Anywhere](#) - UVic Learn Anywhere is the primary learning resource for students that offers many learning workshops and resources to help students with academics and learning strategies.

[Centre for Accessible Learning](#) - Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health consideration that may require accommodations, you are free to approach me; however, you must register with the [Centre for Accessible Learning](#) (CAL) for formal arrangements to be made. The CAL staff are available by appointment to assess specific needs, provide referrals and arrange appropriate accommodations. The sooner you let us know your needs the quicker we can assist you in achieving your learning goals in this course.

[Centre for Academic Communication](#) - Offers coaching on [academic integrity](#), including preventing accidental plagiarism. Provides support to students with time management, reading, writing, speaking, understanding academic expectations, and other aspects of academic communication as well as creating academic posters, blogposts, PowerPoint slides, and e-portfolios.

[Health Services](#) - University Health Services (UHS) provides a full service primary health clinic for students, and coordinates healthy student and campus initiatives.

[Support Connect](#) - a 24/7 mental health support service for students

- Toll-free (calls from North America): 1-844-773-1427
- International collect calls: 1-250-999-7621

[Counselling Services](#) - Counselling Services can help you make the most of your university experience. They offer free professional, confidential, inclusive support to currently registered UVic students.

[Indigenous Student Services](#) - Indigenous UVic students have access to many sources of support on campus. Before, during and after your time at UVic, you are encouraged to explore programs and services available to you, such as [Indigenous counselling services](#) and the [Elders in Residence](#), as well as non-academic programs that may be of interest to you.

[International Student Support](#) - The University of Victoria offers a number of resources to support international students as they pursue their studies. UVic's [International Centre for Students](#) is the primary office supporting international students on campus at the university-wide level and provides various supportive program through the [UVic Global Community Initiative](#), including a Mentorship Program and Conversation Partner Program.

For academic advising-related questions, students in the Economics Department are also encouraged to meet with the Economics Undergraduate Advisor (Brooklynn Comish-Trimble, ecadvice@uvic.ca) as well as an academic advisor in the [Academic Advising Centre](#) early in their studies to help map out a plan to

declare a major and complete university program requirements. Other resources include the [Centre for Academic Communication](#) and the [Math and Stats Assistance Centre](#).

The International Student Liason in the Economics Department is Dr. Paul Schure who can help you connect with other international and domestic students in the Department. His email address is schure@uvic.ca. Please, reach out if you are interested.

Course Experience Survey (CES)

I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future.

When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to the [CES log-in](#). You will use your UVic NetLink ID to access the survey, which can be completed on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

What strengths did your **instructor** demonstrate that helped you learn in this course?

Please provide specific suggestions as to how the **instructor** could have helped you learn more effectively.

Please provide specific suggestions as to how this **course** could be improved.

E-mail Correspondence

Emails should be limited to critical matters, such as inability to attend class, an exam, or prolonged illness, and should include the course name and number in the subject line. Questions on course material should be asked during office hours or in class. The standard format for writing a letter must be used. This means it should begin with a salutation (e.g. Dear....), include full sentences and it must conclude with a signature that includes your **full name and V#**. Text message lingo should not be used.

Educational Technology involving storage outside Canada

The Acepi quiz website is required for this course. I want you to be aware that the Acepi servers are located in the U.S. Acepi will store your selected name (not your email or student ID), your answers/time to quizzes, and the last 4 digits of your credit card number. If you are not comfortable with your personal information being stored outside of Canada, please use an alias and let me know before the end of the first week what it is.