



Theory of Corporate Finance ECON 454 A01

CRN 11201

September-December 2022

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Office BEC 340

Office hours: by email appointment pcourty@uvic.ca

Course material will be posted on **BrightSpace**

Delivery Technology: This course will be offered as mix of real-time and asynchronous sessions. You are expected to attend all real-time sessions and participate and engage in these live online classes. For these sessions, I expect you to have access to a reliable Internet connection and to use a laptop or desktop. I will circulate a technology survey before the first session to confirm that this is the case.

Course Description: Corporate finance is the study of how firms select projects and how they attract capital to finance their operations. This course will give you a general understanding of the time value of money, valuation of projects, net present value and cost of capital. We will explore why financial valuation differ from accounting valuation. The end of the course covers capital structure choice and dividend policy.

Course Objectives: A student who learns successfully in this course will have the capability to: (a) explain the key concepts of corporate finance, (b) to use valuation methods, (c) understand the difference between financial and accounting valuation, (d) explain the Modigliani and Miller theorem and understand its assumptions, (e) recognize the main factors affecting a firm’s capital structure and its dividend policy.

Prerequisites: ECON 305, 313 (min B-) and math background (ECON 350 or (MATH 101+200 and MATH 110 or 211). You should be able to handle algebra and arithmetic, to deal with formulas and equations, and have a basic Excel or advanced calculator knowledge.

Evaluation: Your final grade will be determined as follows:

Accepi quizzes	15%
Reading notes	20%
Midterm	25%
Firm write-ups	25%
Engagement/self-assessment/presentation	<u>15%</u>
	100%

The University’s undergraduate grading scale with numerical score/letter grade equivalency is:

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](#).

Some course components will give you the option to choose a level of challenge you want to set for yourself (e.g. mastery, good, basic) and this will determine a targeted grade range. I do this to help you manage how much you want to put into, and get out of, my course, and to help me support you with the learning objective you will set for yourself. 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 (12 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. Your 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...

Reading Notes (RN): There will be 5 discussions sessions about: (a) cases, (b) readings, (c) public contributions on Coursespace. For these sessions, I will ask you to write reading notes (RN) prior to our class discussion and/or a write-up summary after the end of the session. 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): You will be asked to study the financials of a specific company and keep a journal that applies the tools from the class. There will be 6 discussions about your firm write-ups. The last three class session will be dedicated to a final class presentation.

For each assignment category (Accepi quiz, RN, FWU), you are expected to return all assignments. To compute your category average, I will ignore your lowest grade in the category. To qualify for an A or an A+ in the class, however, you must also have a high average without dropping the lowest grade.

Class Engagement, self-assessment, and presentation: You are encouraged to participate (asking questions, in-class and online discussions). I will also ask you to reflect on your own learning by setting learning objective, acknowledge what you already know and what you want to learn, and keeping track of what you have learned. There will be a short presentation at the end of the class.

Textbooks, reading material and Accepi Quiz Platform

- (1) 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](#)
- (2) There will be additional reading material posted on Brightspace
- (3) You will complete the quizzes on an outside platform called Accepi (accepi.com). You will have to pay US\$9.95 the first time you login through the BrightSpace link. See discussion below regarding personal information stored outside Canada.

Expectations: The material is at times technical and students are expected to be able to solve problems independently. I assume that students have a good understanding of the material covered in the prerequisites and familiarity with basic terminology and concepts used in finance. I also expect that you will be able to pick up basic accounting and statistics notions. 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. Read the relevant book chapter material before class. You should understand a good part, although not everything, which is why you come to class.

The suggested out-of-course workload is targeted for an average of 6 hours per week, sometimes more, sometimes less, roughly allocated as follows: 2 hour to review the class material, 2 hour to complete the weekly quiz, and two hours complete the course assignments.

Alternative textbooks:

- Berk, Jonathan, and Peter DeMarzo, Corporate Finance, 2nd edition, Pearson, Boston, 2010.
- Damodaran Applied Corporate Finance <http://pages.stern.nyu.edu/~adamodar/>
- Hillier, David, Mark Grinblatt and Sheridan Titman, 2011, Financial Markets and Corporate Strategy, 2nd European Edition, McGraw-Hill Higher Education, 978-0077129422
- T. E. Copeland, J. F. Weston, and K. Shastri, Financial Theory and Corporate Policy , 4th edition, Addison-Wesley, 2004 (ISBN: 0-32-112721-8).

Useful books and readings:

- Financial Intelligence, Revised Edition: A Manager's Guide to Knowing What the Numbers Really Mean by Karen Berman and Joe Knight. Harvard Business Press, 2013. ISBN-10: 1422144119
- Misbehaving. 2015. Richard Thaler (Section VI)
- The Outsiders. 2012. William Thorndike.
- The Little Book of Valuation. 2011. A. Damodaran
- The economics of structured finance. Coval, Jurek and Stafford (JEP, 2009)
- Capital Structure. Stewart Myers. (JEP 2001).
- Tesla: The Analysis of a Run-Up. A. Damodaran. Journal of Portfolio Management, 2014

Accepi (Educational Technology involving storage outside Canada)

The Accepi quiz website is required for this course. I want you to be aware that the Accepi servers are located in the U.S. Accepi will store your selected name (not your email or student ID), your Brightspace identifier, 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.

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 Accepi quizzes must be completed individually and not with anyone, including a friend, classmate, or group, nor can you search answers to the quiz questions. You can 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 reading notes and excel practices, you are allowed to discuss the assignment with classmates but you should write your answers on your own and what you hand in cannot be shared with anyone. I will ask you to write the following statement:

I (write your name) _____ affirm that I have written this assignment on my own, that I have not copied or shared the answers, and that no one has edited or corrected my answers.

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.

Midterm and presentations

Participation to midterm is mandatory. Consideration for missed midterm will be given only on the basis of documented illness, accident or family affliction, and for no other reasons. In the event of a missed final examination, students are advised to follow the procedures outlined in the [University Calendar](#).

Students are advised not to make work or travel plans until after the presentation timetable has been finalized. Students who wish to finalize their travel plans at an earlier date should book flights that depart after the end of the examination period. There will be no special accommodation if travel plans conflict with the examination.

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.

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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.

Student Code of Conduct

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

University 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. See [General University Policies](#)

Accessibility & Health Resources

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.

[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.

[Elders' Voices](#) - The Office of Indigenous Academic and Community Engagement (IACE) has the privilege of assembling a group of Elders from local communities to guide students, staff, faculty and administration in Indigenous ways of knowing and being.

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.

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.

Explicitly list the Mandatory Course Components of the course.

You are expected to complete all course components. You will get a grade of zero in the components you do not complete. Your final grade is based on your cumulative percentage as explained in the 'Evaluation' section.

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.

Electronic devices

You should not use electronic devices during class time unless asked to do so.

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.

UVic Land Acknowledgement

I acknowledge with respect the Lekwungen peoples on whose traditional territory the University of Victoria stands, and the Songhees, Esquimalt and WSÁNEĆ peoples whose historical relationships with the land continue to this day.