



ECON 454 Theory of Corporate Finance
CRN 31156

Summer Session: 2022 05 – Term 2

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Office Hours: Wednesday 12:30pm-1:20pm or by appointment.

Course Content

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.

Textbook

Textbooks and reading material

We will use two books: 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](#)
- Student slides (long version) from Ivo Welch <http://book.ivo-welch.info/cn.ed4/>

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 every class. The site is regularly updated with new material. You are responsible to have read posted announcements. Read the relevant book chapter before class. You will not understand everything, but you should understand a good part. The suggested out-of-course workload is targeted for an average of 4 hours per week, sometimes more, sometimes less.

The exam questions are basically the same level of difficulty as the questions in the book (in chapters), the online assignments, and the material covered during class discussions. No answer will be given to the end of chapter questions but I will answer queries during office hours. If you have no problems answering similar questions under time pressure, you will also have no problem in the exams.

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

Grading

The final grade is determined as follows:

Midterm	20%
Online assignments	10%
Reading notes	20%
Excel journal	15%
Attendance	5%
Final exam	<u>30%</u>
	100%

Online assignments: You will need to sign up for an account in Accepi (an online quiz platform, costs about \$10). I will post online quizzes at the end of each week. Quiz questions are designed to prepare you for the exams. This will also help to maintain your interest in the class and to support those of you who need a nudge to study regularly. The registration link for this course is: accepi.com/register?t=cGfM8NSz

Reading notes: You are required to hand in 5 reading notes. The questions in the reading notes (RN) help you understand the material. Your RN should be written in full sentences and be grammatically correct. Plagiarism is not acceptable. Be sure to quote and cite material where appropriate.

Excel journals: I will ask you to prepare 4 Excel exercises and hand in your report in Brightspace.

Midterm: The date of the midterm exam is TBA. If you miss the midterm with a valid reason (see the departmental policy and the related medical form), the weight will be carried by the final exam. Should you miss an exam without prior approval of the instructor or appropriate medical proof, you will receive a grade of zero for that exam. *Note:* it is the student’s responsibility to provide medical documentation in a timely manner.

Final exam: Final exam is held during last scheduled class time on last day of course. It is cumulative, therefore it covers the material presented in the whole course. Deferred final exams are given only on the granting of a formal university academic concession, normally only for documented medical

reasons. Make-up exams may be formatted quite differently from the regular scheduled exams (e.g. more problems, and essays questions); information on any change in format will be provided.

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](#).

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.
- All announcements will be posted in Brightspace. Students are advised to check it frequently.

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.

Examinations

Participation online for all scheduled examinations is mandatory. Consideration for missed examinations 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 examination 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 for Term One, or the first 2 class meetings for Term Two and Three courses, 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.

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.

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 following educational technologies, which stores or accesses your personal information outside Canada, is required for this course: [accepi.com](#). I will make you aware if this list changes.

Personal information is required by the service. The privacy policy and the terms of use list the personal information stored outside of Canada and are available at [accepi.com](#). I encourage you to read these documents.

If you are not comfortable with your personal information being stored outside of Canada, please speak to me within the *first week* of class about using an alternative (such as using an alias or nickname). Otherwise, by continuing in this course, you agree to the use of the educational technology in the course and the storage of personal information outside of Canada.

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

We 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.