Theory of Corporate Finance  ECON 454 A01
CRN 32768
July 05-Aug 20 2021
Pascal Courty

Tuesday-Wednesday: 14.30-15.50
Office hours: by email appointment pcourt@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 and COM 240 or MATH 242. 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:

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Accepi quizzes</td>
<td>20%</td>
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<tr>
<td>Reading notes</td>
<td>20%</td>
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<tr>
<td>Excel practices</td>
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<tr>
<td>Firm write-ups</td>
<td>20%</td>
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<tr>
<td>Engagement/self-assessment</td>
<td>20%</td>
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<td>Total</td>
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The University’s undergraduate grading scale with numerical score/letter grade equivalency, and descriptions can be found at the following: University Grading Schedule

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 but the last one (7 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:** 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. I expect you to post a note and to attend the discussion for at least 10 RN. 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.

**Excel Practices:** The Excel practice is composed of 5 Excel assignments which will be the basis for class discussions. You are expected to attend the Excel sessions and if you cannot attend a session, you are responsible to catch up with what was done in class.

We will grade most of your assignments (Reading notes and Excel practices) but possibly not all. Your grade will be the average of the graded ones with a penalty if you do not complete the required number.

**Firm Write-Ups:** You will be asked to study the financials of a specific company and keep a journal that applies the tools from the class. The last class session will be dedicated to class presentations.

**Class Engagement and self-assessment:** You are encouraged to participate to Zoom online classes (asking questions, participating in chats and polls…) and discussion forums. 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.

**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/](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 Brighspace

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 4 hours per week, sometimes more, sometimes less, roughly allocated as follows: one hour to review the class material, one hour to complete the weekly quiz, and two hours complete the course assignments. You should expect to spend additional time for your Excel project (due October 18th) and your course project (due November 29th).

Alternative textbooks:
- Damodaran Applied Corporate Finance  [http://pages.stern.nyu.edu/~adamodar/](http://pages.stern.nyu.edu/~adamodar/)

Useful books and readings:
- Misbehaving. 2015. Richard Thaler (Section VI)
- The Little Book of Valuation. 2011. A. Damodaran
- The economics of structured finance. Coval, Jurek and Stafford (JEP, 2009)

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 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 speak to me within the first week of class about using an alternative method (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.

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.

Students must abide by UVic academic regulations and observe standards of ‘scholarly integrity,’ (no plagiarism or cheating). 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:

\[
I \text{ (write your name) } \underline{\text{affirm that I will not give or receive any aid on this quiz or access any unauthorized resources and that all work will be my own.}}
\]

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:

\[
I \text{ (write your name) } \underline{\text{affirm that I have written this assignment on my own, that I have not copied or shared the answers, and that no one has edited or corrected my answers.}}
\]

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

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 http://ces.uvic.ca. You will need to use your U Vic NetLink ID to access the survey, which can be done 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. (1) What strengths did your instructor demonstrate that helped you learn in this course? (2) Please provide specific suggestions as to how the instructor could have helped you learn more effectively. (3) Please provide specific suggestions as to how this course could be improved.

Language
English is the language of instruction at the University and for all aspects of this course.

E-mail
You may contact me at my U Vic email address using your Uvic email address. Please include both your legal name (the name in the university records) and course title in the subject of your email.

**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](http://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](mailto:svpcoordinator@uvic.ca).

**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](http://www.uvic.ca/services/accessibility.html) (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.

**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.

**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](http://www.uvic.ca/services/policies.html)