

**FIN 7000 (A01) (1.5 CH)**  
**MANAGERIAL ECONOMICS**  
**FALL 2020**

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**INSTRUCTOR**

Name:	David A. Stangeland, PhD, CPA, CMA	Office Location:	320 Drake Centre
Phone:	204-474-6477	Office Hours:	After class as needed or by apt
Email:	<a href="mailto:d.stangeland@umanitoba.ca">d.stangeland@umanitoba.ca</a>	Class Room:	Online
		Class Time:	Fri, Aug 28: 8:45am – 3:45pm Sat, Aug 29: 8:45am – 3:45pm Sun, Aug 30: 8:45am – 2:45pm

**COURSE DESCRIPTION**

Supply, demand, elasticity, perfect competition, monopoly, revenue and cost functions, and determinants of competitive advantage are considered. Economic profit, accounting profit and value creation are compared so they are used properly in the context of optimal business strategy. Prerequisites: MSCI 5100 Math for Management and MIS 5110 IT Seminar. Not to be held with FIN 7120 or IDM 7720 (or 027.772).

**COURSE OBJECTIVES**

The objective of this course is to give students the fundamentals of economics, accounting, and time value in a context so they can see the similarities and differences of the different frameworks and utilize these concepts so that the firm's strategy is optimized. Students should leave the course with an understanding of why maximizing economic profit is different than maximizing accounting profit and why maximizing either of these on a one-year basis is likely a suboptimal corporate strategy.

## AACSB Assurance of Learning Goals and Objectives – Master of Finance

The Asper School of Business is proudly accredited by AACSB. Accreditation requires a process of continuous improvement for the School and our students. Part of “student improvement” is ensuring that students graduate with the knowledge and skills they need to succeed in their careers. To do so, the Asper School has set the **learning goals and objectives** listed below for the **MFIN Program**. The checked goal(s) and objective(s) will be addressed in this course and done so by means of the items listed next to the checkmark.

	<b>Goals and Objectives in the MFIN Program</b>	<b>Goals and Objectives Addressed in this Course</b>	<b>Course Item(s) Relevant to these Goals and Objectives</b>
1	<b>Proficiency in Asset Valuation:</b> Knowledge and understanding of the principles, theories, and applications of asset valuation.	✓	Entire Course
	A. Demonstrate knowledge and ability to apply asset valuation models.	✓	Entire Course
	B. Demonstrate knowledge and ability to apply asset pricing models.		
2	<b>Proficiency in Portfolio Construction and Management:</b> Knowledge and understanding of the principles, theories, and applications of portfolio construction and management.		
	A. Demonstrate knowledge of theories and applications of asset allocation.		
	B. Demonstrate an understanding of the theories and approaches of risk management and its applications.		
	C. Demonstrate an understanding of financial markets, instruments, asset classes, and trading environment.	✓	Class 1 – morning Class 1 - afternoon
	D. Demonstrate an ability to apply behavioural finance models in portfolio construction and management.		
3	<b>Ethical Mindset:</b> Consideration of ethical issues in financial analysis and management.		
	A. Demonstrate an understanding of the role of ethics in financial decision-making.	✓	Sources of competitive advantage
	B. Demonstrate a knowledge of the CFA Institute’s <i>Code of Ethics</i> and the <i>Standards of Professional Conduct</i> .		
4	<b>Communication Ability:</b> Ability to communicate effectively and clearly, both verbally and in writing, in a professional context.		
	A. Communicate in a clear and concise manner.	✓	Entire Course
	B. Communicate in a coherent and logical manner.	✓	Entire Course

## COURSE MATERIALS

This course will be conducted “live” via videoconferencing using “Zoom” and classes will be during the scheduled class time. As classes will be delivered synchronously via videoconferencing, a computer enabled with a camera and microphone is required. Further, you are expected to be in a location with a reliable Internet connection that is strong enough for streaming video. If you have a choice to use a wired (via an ethernet cable) connection to the internet rather than a wireless (wifi) connection, you should choose the wired connection. You may also want to consider using earphones or headset with a microphone, unless you have a computer with good speakers and microphone.

Classes will be recorded. For attendance and class participation, you will be expected to have your camera on during class time and during exams. The instructor may tell you to leave your camera and microphone on for the duration of the class or may require you to mute yourself and unmute yourself only at certain times.

For exams, you will need a computer with one of the following operating systems:

Windows 10, 8, or 7

Mac OS 10.15 to 10.12, OS X 10.11, or OSX 10.10

In addition, you will need the following economics textbook plus two chapters from the corporate finance text that is used for FIN 7020.

*Fundamentals of Economics for Business, 2e*, by David Barrows, John Smithin, Captus Press and World Scientific Publishers, 2009.

*Corporate Finance (4th Canadian Edition)* by Berk, DeMarzo and Stangeland, Pearson Canada Inc., 2019: chapters 2 and 4. Note, this is the same as the textbook for FIN 7020 – in that course you will likely need the book plus the key to access MyLab Finance – so, when buying the book now, ensure you buy it with the access key as buying the two separately would likely cost you more than the new book with key included. It is easiest to buy the access key with e-book via the MyLab site. An email regarding MyLab will be sent to all class participants.

Laptop computer with Excel software – Excel must be used in class, for your assignment, and for the final exam.

## COURSE ASSESSMENT

Summary Sheets..... 12%

Group Assignments ..... 38%

Individual Final Exam ..... 50%

Final grades are based on the student’s weighted mark and performance relative to other students. The following are the <b>tentative</b> grade cut-offs.	
A+	92-100
A	81-91.9
B+	77-80.9
B	71-76.9
C+	67-70.9

C	61-66.9
D	51-60.9
F	0-50.9

These tentative cut-offs are subject to adjustment up or down depending on the relative performance of the current class compared to prior classes that have taken the course with the same instructor.

**Summary Sheets:** Students are required to make three individual summary sheet (similar to a formula sheet, but you can also put on it diagrams, explanations, etc. as though you would be using it as summary sheet to bring into the final exam). **Note, you may not put examples on the summary sheets.** The individual summary sheets are to be made by hand (i.e., not word processed and not photocopied) and each summary sheet is to be a maximum of one side of one letter-sized paper. Summary sheets must be submitted via the course UM Learn site's Dropbox by 8:00 a.m. the morning each is due (Sunday, Tuesday and Wednesday mornings). Ensure your name and student ID are clearly visible on each summary sheet. To submit your sheet, you should take a clear photo of it, save the photo as an unlocked PDF file, name the file using your last name followed by your first name and then the number 1, 2, or 3 for the 1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup> summary sheet respectively, and then upload it to the course Dropbox. Each person must submit their own unique summary sheet – you should not collaborate with others while making your summary sheet – it will be considered a violation of academic integrity to copy someone else's sheet in whole or in part. Your mark on each the summary sheet is out of 2 points total and you will receive 2/2 if it is substantially complete, organized, clear, and does a good job summarizing the course content. You will receive 1/2 if your sheet has any of the following characteristics: misses significant material, is difficult to read or sloppy or disorganized. You will receive 0/2 if you did not make a serious effort at making a summary sheet.

Each one-page single-sided summary sheet is to cover the material learned in class and from the readings as outlined in the table below:

Summary Sheet #	Topics	Reading (Text and Chapter)	Slide Set
1 Due Sunday @ 8 a.m.	<ul style="list-style-type: none"> <li>Basics of Supply, Demand, Elasticities</li> <li>Regulation &amp; Taxation</li> <li>Costs of production</li> </ul>	<ul style="list-style-type: none"> <li>FOEFB 2</li> <li>FOEFB 3</li> <li>FOEFB 4</li> </ul>	1
2 Due Tuesday @ 8 a.m.	<ul style="list-style-type: none"> <li>Economic Profit: Perfect Competition versus Monopolies</li> <li>Alternative Market Structures, Business Strategy, and Public Policy</li> </ul>	<ul style="list-style-type: none"> <li>FOEFB 5</li> <li>FOEFB 6</li> </ul>	2
3 Due Wednesday @ 8 a.m.	<ul style="list-style-type: none"> <li>Basics of Financial Reporting and Accounting Profit</li> <li>Basics of the Time Value of Money; Reconciling profit with value. What should be the optimal strategy for the firm?</li> <li>Course Conclusions</li> </ul>	<ul style="list-style-type: none"> <li>CF 2 – concentrate on the financial statements and do not worry about the ratio analysis.</li> <li>CF 4</li> </ul>	3 and 4

- FOEFB is *Fundamentals of Economics for Business 2<sup>nd</sup> edition*, by David Barrows and John Smithin, Captus Press and World Scientific Publishers, 2009.
- CF is *Corporate Finance, 4<sup>th</sup> Canadian Edition*, by Berk, DeMarzo and Stangeland, Pearson Education, 2019.

**Group Assignment:** The group assignment will be made available on the course UM Learn site. For each group, one unlocked PDF file for the assignment will be submitted. Further details are included within the assignment. Collaboration across groups (i.e., intergroup collaboration) will be considered a violation of academic integrity. The assignment is to be done in a group of 5 or 6 people. If possible, groups should not have everyone of the same gender and groups should have at least one international student and one domestic (Canadian) student, one MBA student and one MFin student. I also strongly recommend that groups try to be diverse in terms of ethnicity. Group peer evaluation will be required and will affect individual grades.

**Final Exam:** The final exam is to be done on an individual basis. It covers the entire course and draws a lot on the material from your assignment (but it is not the same as your assignment). **Notwithstanding marks in other components, students who receive less than 50% on the final exam will be assigned a failing grade.**

Students are not allowed to miss a graded course component unless a valid medical excuse is provided. **Students with valid medical excuses must get official written documentation to support their claim.** There will be no make-up assignments. Those students who miss an assignment and have a valid medical excuse will have the weight of that assignment added to the final exam. Those students who miss an assignment without a valid medical excuse will receive a mark of 0% on that assignment.

Students must submit their assignment by the date and time it is due. If you submit a course component late it will be penalized as follows: up to 30 minutes late, no penalty; more than 30 minutes late up to 24 hours late -25%; more than 24 hours late up to 48 hours late -50%; after 48 hours late -100%. E.g., suppose you submit a course component 2 hours late. If you received 80% on the component before the late penalty, you would receive 55% following the penalty. The minimum mark on a course component after all late penalties is limited to 0%. It is your responsibility to have your course component delivered as specified for the component; other forms of submission will not be accepted and will not be marked.

The final exam is open book, open notes, and you may also use your summary sheets. You may not access items on the internet as your computer will be using a locked-down browser and monitoring function (so your camera and microphone will be on during the exam). **You need to test the functionality of your computer using the lockdown browser and monitor prior to the exam.** If you use e-material for your readings (Economics or Finance chapters) then you may want to take detailed notes from those chapters to supplement your summary sheets and course notes. You will not have time during an exam to look up everything in the chapters, you need to be prepared and know what you are doing prior to the exam.

It is an academic offense to use the material or answers of another student or group or to provide another student or group with your material or answers. Any suspected breach of this code of Academic Integrity will be dealt with to the fullest extent. If person/group A copies from person/group B on an exam/assignment/summary sheet, then both person/group A and person/group B will be penalized. It is the responsibility of everyone to ensure nobody copies, transmits information, or facilitates copying or information transfer to another person during an exam or for an assignment or summary sheet. Plagiarism in the group assignment will be dealt with most seriously; it is each group member's individual responsibility to ensure there is no plagiarism in the entire group assignment. If you have a question during an exam, direct the question to the professor, do not ask another student and do not reply to another student.

## PROFESSIONAL CONDUCT

Students are expected to demonstrate professional conduct for the duration of the course. Some aspects of this include the following: attending each class and arriving on time, returning from breaks (if provided) on time, restricting discussions in class to the current course material, keeping mobile phones in the "off" or "silent" modes, and not placing or answering calls, text messages, Facebook, Tinder, Twitter, WeChat, emails, etc. during class time. If you feel your classmates are not demonstrating professional conduct, please inform them and/or your instructor so that they have the opportunity to change. Unprofessional conduct is disruptive to the learning environment and makes mastering the course material more difficult for all students.

## TENTATIVE CLASS SCHEDULE

Classes take place on Friday, Saturday, and Sunday (for Sunday, the afternoon class ends at 14:45 and there will only be a 5 minute break at 13:45). The tentative timing of classes and breaks are as follows. Adjustments may be made by the professor as needed to fit topics and discussion. The schedule below does not apply on the examination day.

Time	Event	Hours
08:45-10:15	Class time	1.50
10:15-10:30	Break	0.25
10:30-12:00	Class time	1.50
12:00-12:45	Lunch	0.75
12:45-14:00	Class time	1.25
14:00-14:15	Break	0.25
14:15-15:45	Class time	1.50
Total class time per day		5.75 hours
Total break time per day		1.25 hours

## TENTATIVE COURSE OUTLINE

You will find that the course starts with the basics but progresses very quickly. The material covered builds on earlier material. It is important to stay current in your studies; otherwise, you will not understand the new material as it is presented.

**You must read the readings in advance of the relevant classes;** you will have a much better chance of understanding the material as it is taught and attaining success in the class. It is the **student's responsibility** to read the assigned material **prior** to the relevant class.

Class Meeting	Topic	Reading (Text and Chapter)
1 (morning)	Basics of Supply, Demand, Elasticities Regulation & Taxation	FOEFB* 2 FOEFB 3
1 (afternoon)	Costs of production Economic Profit: Perfect Competition versus Monopolies	FOEFB 4 FOEFB 5

2 (morning)	Alternative Market Structures, Business Strategy, and Public Policy	FOEFB 6
2 (afternoon)	Basics of Financial Reporting and Accounting Profit	CF** 2***
3 (morning)	Basics of the Time Value of Money	CF 4
3 (afternoon)	Reconciling profit with value. What should be the optimal strategy for the firm?	CF 4
	<b>Assignment 1 – Economics Component Due Friday, September 4<sup>th</sup> @ 8 a.m. Winnipeg Time</b>	
	<b>Assignment 2 – Accounting and Finance Component Due Tuesday September 8<sup>th</sup> @ 10 a.m. Winnipeg Time</b>	
	<b>Final Exam Sunday September 13<sup>th</sup> (8 a.m. – 10 a.m.) Exam is 90 minutes and covers the whole course. Access to the exam will start at approximately 8 a.m.; blocked time includes time for setup and shutdown.</b>	

\* FOEFB is *Fundamentals of Economics for Business 2<sup>nd</sup> edition*, by David Barrows and John Smithin, Captus Press and World Scientific Publishers, 2009.

\*\* CF is *Corporate Finance, 4<sup>th</sup> Canadian Edition*, by Berk, DeMarzo and Stangeland, Pearson Education, 2019.

\*\*\* Concentrate on the financial statements and do not worry about the ratio analysis in chapter 2.

## ATTENDENCE

It is extremely important that you attend all classes. Students who have indicated they would learn the material on their own and not attend class (for example, due to work commitments) have always performed very poorly in my courses as much of the in-class content is not covered in the readings or even the PowerPoint. It is through active participation in class that you will achieve the most from this course.

Notwithstanding other marks, students who are absent (without a valid medical excuse with supporting written documentation) for **2 or more** mornings or afternoons will also receive a failing grade.

## ACADEMIC REGULATIONS

### EXAM RESCHEDULING POLICY

Students are expected to write ALL exams with their classmates at the scheduled exam time. Requests for final exam rescheduling must be referred to the Graduate Program Office (rescheduling of midterm tests is overseen by individual instructors). Please refer to the table under Student Services and Supports for a link to further information.

### COPYRIGHT REGULATIONS

All students are required to respect copyright as per Canada's Copyright Act. Staff and students play a key role in the University's copyright compliance as we balance user rights for educational purposes with the rights of content creators from around the world. The Copyright Office provides copyright resources and support for all members of the University of Manitoba community. Please refer to the table under Student Services and Supports for a link to further information.

## STUDENT SERVICES AND SUPPORTS

The University of Manitoba provides many different services that can enhance learning and provide support for a variety of academic and personal concerns. You are encouraged to visit the below websites to learn more about these services and supports. If you have any questions or concerns, please do not hesitate to contact your instructor or the Graduate Program Office.

<b>For Information on...</b>	<b>...follow this link</b>
Course Outlines, Year-at-a-Glance, Concentrations, Textbooks, VW Dates and Final Exams	<a href="#">MFIN Course Information</a>
Help with research needs such as books, journals, sources of data, how to cite, and writing	<a href="#">Library Resources</a>
Tutors, workshops, and resources to help you improve your learning, writing, time management, and test-taking skills	<a href="#">Writing and Learning Support</a>
Support and advocacy for students with disabilities to help them in their academic work and progress	<a href="#">Student Accessibility Services</a>
Copyright-related questions and resources to help you avoid plagiarism or intellectual property violations	<a href="#">Copyright Office</a>
Student discipline bylaws, policies and procedures on academic integrity and misconduct, appeal procedures	<a href="#">Academic Integrity</a>
Policies & procedures with respect to student discipline or misconduct, including academic integrity violations	<a href="#">Student Discipline</a>
Students' rights & responsibilities, policies & procedures, and support services for academic or discipline concerns	<a href="#">Student Advocacy</a>
Your rights and responsibilities as a student, in both academic and non-academic contexts	<a href="#">Your rights and responsibilities</a>
Full range of medical services for any physical or mental health issues	<a href="#">University Health Service</a>
Information on health topics, including physical/mental health, alcohol/substance use harms, and sexual assault	<a href="#">Health and Wellness</a>
Any aspect of mental health, including anxiety, stress, depression, help with relationships or other life concerns, crisis services, and counselling.	<a href="#">Student Counselling Centre</a>
Support services available for help regarding any aspect of student and campus life, especially safety issues	<a href="#">Student Support Case Management</a>
Resources available on campus, for environmental, mental, physical, socio-cultural, and spiritual well-being	<a href="#">Live Well @ UofM</a>
Help with any concerns of harassment, discrimination, or sexual assault	<a href="#">Respectful Work and Learning Environment</a>
Concerns involving violence or threats, protocols for reporting, and how the university addresses them	<a href="#">Violent or Threatening Behaviour</a>

## ACADEMIC INTEGRITY

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I.H. Asper School of Business, The University of Manitoba

It is critical to the reputation of the I. H. Asper School of Business and of our degrees that everyone associated with our faculty behaves with the highest academic integrity. As the faculty that helps create business and government leaders, we have a special obligation to ensure that our ethical standards are beyond reproach. Any dishonesty in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic dishonesty under the heading "Plagiarism and Cheating." Specifically, acts of academic dishonesty include, but are not limited to:

- using the exact words of a published or unpublished author without quotation marks and without referencing the source of these words
- duplicating a table, graph or diagram, in whole or in part, without referencing the source
- paraphrasing the conceptual framework, research design, interpretation, or any other ideas of another person, whether written or verbal (e.g., personal communications, ideas from a verbal presentation) without referencing the source
- copying the answers of another student in any test, examination, or take-home assignment
- providing answers to another student in any test, examination, or take-home assignment
- taking any unauthorized materials into an examination or term test (crib notes)
- impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any test or examination
- stealing or mutilating library materials
- accessing tests prior to the time and date of the sitting
- changing name or answer(s) on a test after that test has been graded and returned
- submitting the same paper or portions thereof for more than one assignment, without discussions with the instructors involved.

Many courses in the I. H. Asper School of Business require group projects. Students should be aware that group projects are subject to the same rules regarding academic dishonesty. Because of the unique nature of group projects, all group members must exercise extraordinary care to insure that the group project does not violate the policy on Academic Integrity. Should a violation occur on a group project, all group members will be held jointly accountable, no matter what their individual level of involvement in the specific violation.

Some courses, while not requiring group projects, encourage students to work together in groups (or at least do not prohibit it) before submitting individual assignments. Students are encouraged to discuss this issue as it relates to academic integrity with their instructor to avoid violating this policy.

In the I. H. Asper School of Business, all suspected cases of academic dishonesty involving a graduate student (i.e. MBA, MSc or PhD student) will be reported directly by the instructor to the Dean of the Faculty of Graduate Studies.

## FACULTY BIOGRAPHY

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I.H. Asper School of Business, The University of Manitoba

**David A. Stangeland, PhD, CPA, CMA, B Comm (distinction)**

Professor of Finance, Department of Accounting and Finance – Asper School of Business

Associate Dean for Professional Programs (MBA, MFin, ExecEd) – Asper School of Business

**Areas of Research Interest:** Corporate governance, control and valuation effects: mergers, acquisitions, ownership structure, antitakeover defences; international Finance

**Areas of Teaching Interest:** Corporate finance, investment banking, international finance

Dr. Stangeland's primary area of research is on corporate governance and control and the effect on corporate performance and value. Issues examined included unsuccessful takeovers, takeover defences, shareholder rights, earnings quality, and ownership structure. Specific emphasis is on how these issues affect corporate operating performance, investment levels, and equity valuation. Some of this work is published in the research volumes, *Corporate Decision-Making in Canada*, *Concentrated Corporate Ownership*, and in journals, *Business Quarterly*, the *Journal of Corporate Finance*, and the *Stanford Journal of Law, Business and Finance*. Much of the international aspect of this work concentrates on US and Canadian firms with comparisons of ownership structure and operating efficiency across the two countries. His research with Dr. Randall Morck (University of Alberta) and Dr. Bernard Yeung (University of Michigan) extends the above analysis to encompass countries from around the world. The National Bureau of Economic Research of the United States provided support and publication of some of this research.

In conjunction with Dr. Harry Turtle (Washington State University) and Dr. Christos Pantzalis (University of South Florida), Dr. Stangeland has examined the effects of national elections on equity markets around the globe. This research addresses the degree of uncertainty resolution surrounding elections by classifying elections according to the outcome and the degree of economic, political, and press-freedom in the countries studied. The I.H. Asper School of Business' CIBS provided seed-money to fund this research and additional support was provided by the SSHRC (Dr. Turtle). This research is published in the *Journal of Banking and Finance*. Dr. Stangeland's other works have been accepted for publication in the following refereed journals: the *Journal of Financial and Quantitative Analysis*, the *Journal of Financial Education*, the *Journal of Business and Economics Research*, the *Journal of Corporate Ownership and Control*, the *Review of Accounting and Finance*, and *Financial Management*. In addition to the co-authors mentioned above, Dr. Stangeland's research has been in conjunction with Dr. David Manry (University of New Orleans) and from the University of Manitoba: Dr. Charles Mossman, Dr. Steven Zheng, Dr. Stephen Alford, and Dr. Gady Jacoby.

Dr. Stangeland has been a frequent journal and conference reviewer. His research has won the Irwin Distinguished Paper Award from the Southwestern Federation of Administrative Disciplines and the Associates Achievement Award of the I.H. Asper School of Business. In addition, Dr. Stangeland is a two-time winner of the CMA Canada Academic Merit Award for combined excellence in teaching and research. Dr. Stangeland teaches investment banking, corporate and international finance. His teaching spans the undergraduate, MBA, and PhD. levels. Dr. Stangeland has been a four-time recipient of the Certificate of Teaching Excellence from the University Teaching Services and UMSU. International teaching assignments have also been common for Dr. Stangeland. In 1998, he taught MBA International

Finance in the Czech Republic under the sponsorship of the Canadian Consortium of Management Schools and the Canadian International Development Agency. In 2000 he taught managerial finance in a post-degree program in the People's Republic of China. He also teaches the managerial finance course to MBA students at the Warsaw School of Economics each summer (since 2000) in Poland.

In addition to his Ph.D. in finance from the University of Alberta, Dr. Stangeland is a professional accountant (CPA, CMA). Dr. Stangeland served on the National Board of Directors for CMA Canada and chaired CMA Canada's Pension Committee. Dr. Stangeland also serves on the Pension Committee for the University of Manitoba Pension Plans, is a former member of the Investment Committee for the Teachers' Retirement Allowance Fund (TRAF) of Manitoba, and has been a member of the Independent Review Committees for mutual fund companies.

Dr. Stangeland enjoys cooking, traveling, running and cycling and, when he gets a chance, skiing in the Rockies and going to the beach at his Mexican condo in Puerto Vallarta.