



## FIN 7020 (G01) (3.0 CH) CORPORATION FINANCE SUMMER 2022

#### **INSTRUCTOR**

Name: Ya Gao Phone: 204-474-7010 Email: ya.gao@umanitoba.ca Office Location: Office Hours: Class Room: Class Time:

n: 452 Drake After class as needed or by apt. Drake 105 Mondays, 6:00 – 9:00 pm

#### **COURSE DESCRIPTION**

The financial management of businesses including agency problems, valuation, capital budgeting, risk/return relationships, the term structure of interest rates, market efficiency, long-term financing, capital structure, and the use of options and futures for risk management. Not to be held with either of the former 009.607 or FIN 6070. Prerequisite: MIS 5110 IT Seminar (IT Boot Camp), MSCI 5100 Math for Management (Quantitative Boot Camp) plus one of ACC 7010 (formerly ACC 6050 or 009.605) or FIN 7120 (formerly IDM 7720)

#### **COURSE OBJECTIVES**

This course introduces students to the fundamentals of finance and presents theories and tools to be used in addressing corporate finance problems and issues.

#### **INTENDED LEARNING OUTCOMES**

- Comprehension of financial markets & securities and their importance to economic well-being
- Comprehension of the principal-agent problem, corporate governance, and the effects on valuation, markets, and society
- Application of time value of money concepts
- Analysis of capital budgeting problems
- Synthesis of debt & equity valuation with market efficiency and the law of one price
- Application of risk/return relationships
- Evaluation of capital structure and payout policies
- Application of options, futures, forwards, and insurance
- Evaluation of risk management alternatives

#### AACSB Assurance of Learning Goals and Objectives.

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 **MBA 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.

	Goals and Objectives in the MBA Program	Goals and Objectives Addressed in this Course	Course Item(s) Relevant to these Goals and Objectives
1	<b>Strategic Thinking</b> Students will think critically and creatively about solutions to organizational problems, considering short-term and long-term goals, resources, risks, and opportunities.		
	A. Students are able to identify situations where strategic thinking is necessary.	N	Capital Budgeting (CB), Capital Structure (CS), Risk Management (RM)
	B. Students are able to identify different strategies.	V	CB, CS, RM
	C. Students are able to perform a basic strategic analysis.	N	CB, CS, RM
	D. Students are able to recommend strategic alternatives and their implementations.	$\checkmark$	CB, CS, RM
2	Global Perspective         Students will adopt a global mindset in considering organizational decisions.           A. Students have an awareness of global diversity, and multicultural		
	B. Students have an awareness of different global perspectives.	V	Shareholder Wealth Maximization (SWM) vs Stakeholder Satisfaction (SS)
	C. Students have been exposed to global business environments through course materials		Financial Markets' International Diversification
3	Ethical Mindset Students will consider ethical and moral issues when analyzing and recommending solutions to organizational problems.		Principal Agent
	business in society.	$\checkmark$	Problem (PA), SWM, SS
	B. Students demonstrate an understanding of ethical decision making.		PA, SWM, SS, CS
	<ul> <li>Students demonstrate moral development in ethical decision making.</li> </ul>		
	D. Students demonstrate an understanding of the responsibilities of a leader's role as it relates to ethics.	$\checkmark$	PA, SWM, SS, CS
4	Quantitative and Financial Proficiency Students will		
	demonstrate the ability to approach organizational issues using quantitative and financial analysis.	$\checkmark$	Entire Course
	A. Students are able to identify that a problem containing a quantitative aspect exists.		Entire Course
	B. Students are able to apply financial methodologies in the answering of business questions.		Entire Course
	C. Students are able to demonstrate a basic financial proficiency in understanding the role and flow of money in an organization.		Entire Course
	D. Students are able to interpret the results of a financial analysis.		Entire Course





#### **COURSE MATERIALS**

Textbook: Berk, DeMarzo and Stangeland, Corporate Finance (5th Canadian Edition), Pearson Canada Inc., 2018. (ensure that you have an active MyFinanceLab key for this edition of the text)

Ability to do financial calculations using finance functions: (choose one)

- Laptop with Excel this is your best option, is most efficient, and is used extensively in industry
- Texas Instrument: TI-BAII Plus/Plus Professional (Instruction's will only be provided for using HP 10 series model + some instructions for excel formulas.)
- Hewlett Packard calculators: HP-10B, HP-10B2, HP financial calculators.

Alternate financial calculators are acceptable as long as they include all of the following functions: IRR, NPV, keys for individual cash-flow entry and multiple cash-flow entry, and PV, PMT & FV keys for annuities and bonds. You should be capable of displaying at least 8 decimal places for any calculation and you should set your calculator so it always displays all decimal places.

An access code will be required to register for the portion of the course which uses the textbook's companion website, MyLab Finance. An access code is included with the purchase of a new textbook (hardcopy or Pearson eText).

Students using used textbooks (which might not come with an unused code) need to purchase a MyLab Finance code separately on the internet by completing the following steps:

- 1. Go to www.pearson.com/mylab
- Click on Student in the 'Register Now' section of the website. 2.
- Click on OK! Register now. 3.
- Enter the **Course ID gaogo702** in the space provided and click Continue. 4.

Follow the steps and either Sign in (if you already have an account) or Create a Pearson Account 5. (if you have never done this before). You will eventually be prompted to buy the code, and you will be on your way to successfully registering for MyLab Finance.

## **COURSE ASSESSMENT AND EXAMINATION**

MyFinanceLab Assignments	30%
Bloomberg Assignments (individual and group components – groups of 4-6)	
Midterm Exam:	25%
Final Exam:	35%
Total:	100%







Final grades are based on the student's weighted mark and performance relative to other students. The following are the tentative grade cut-offs. **Cumulative Marks** Grade GPA Performance 92-100 A+ 4.5 Excellent 81-91.99 Α 4.0 Very Good 77-80.99 3.5 B+ Good 71-76.99 3.0 Satisfactory В 67-70.99 C+ 2.5 Marginal 61-66.99 С 2.0 Unsatisfactory 50-59.99 D 1.0 Unsatisfactory 49.99 and below F 0.0 Unsatisfactory

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.

Notwithstanding marks in other components, students who receive less than 50% on the exams will be assigned a failing grade. Notwithstanding other marks, students who are absent (without a valid medical excuse with supporting written documentation) for 20% or more classes will also receive a failing grade.

Students are not allowed to miss an assignment or exam 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 or midterm. Those students who miss an assignment or the midterm and have a valid medical excuse will have the weight of that assignment or midterm added to the final exam. Those students who miss an assignment or the midterm without a valid medical excuse will receive a mark of o% on that assignment or midterm.

## FORMULA SHEETS

Formula sheets will not be provided for the midterm or final exams. Instead, for the midterm each student is permitted to bring in **one** standard sheet of paper (8.5 x 11 inches) on which he/she can write *anything*. For the final, each student may bring in an additional sheet of paper (8.5 x 11 inches) on which he/she can write *anything*. (Thus for the final, you may bring in a total of two sheets of paper.) Please note that after each exam, your formula sheet will be collected by the instructor for detailed examination. **NO word-processed or photocopied material is allowed on your formula sheet**. Improper formula sheets will be confiscated; offending students will be allowed to complete the exam without any formula sheet. You are only allowed to use your own formula sheet during the exams.

## **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 posts, twitter posts, snapchats, dating sites, 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 COURSE SCHEDULE**

Classes take place on Mondays. The classes end at 9:30 pm. The schedule of classes and breaks is 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 days.

Class Ending at 9:30 pm					
18:15 - 20:00	Class time	1.75			
20:00 - 20:15	Break	0.25			
20:15 – 21:30	Class time	1.25			
Total class time per day	3 hours				
Total break time per day	0.25 hours				

NOTE: Class attendance is required in the MBA program. Missing more than 20% of a course due to unexcused absences will result in an F. It is your responsibility to inform your professor in advance of your absence and the reason for it (medical documentation or employer note if away for a work commitment) is required.

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	Торіс	Required Pre- Reading Chapters	
Class 1: May 2 <sup>nd</sup>	Introduction; Financial Markets, Corporate Governance, Present Value, and the Law of One Price (Students must read Chapter 2 on their own to refresh knowledge of accounting concepts. This background knowledge is assumed; it will not be covered in class.)	1, 29, 3, 3A(online) 2	
Class 2: May 9 <sup>th</sup>	The Time Value of Money	4,5	
Class 3: May 16 <sup>th</sup> ( <i>Online</i> )	Catch up if needed Term Structure Introduction to Capital Budgeting	5 7	
Class 4: May 30 <sup>th</sup>	Bonds, Stocks and Market Efficiency Students must read Chapter 24 on their own. Chapter 24 material will be tested but not covered in class. Section 13.5 presents additional evidence about market efficiency.	6 (continued), 6A, 24 9, 13.5	
Workshop 1 Fri, June 3 <sup>rd</sup> 6:30p.m. – 8:30p.m.	Time Value of Money Workshop	1-6, 29	
Class 5: June 6 <sup>th</sup>	Capital Budgeting: Criteria for Choosing Projects and Determining Free Cash Flows Risk Return introduction	8 10	
Workshop 2 Fri, June 10 <sup>th</sup> 6:30p.m. – 8:30p.m.	Pre-midterm review workshop	7,8,9,10	
Midterm Exam June 13 <sup>th</sup>	Covers <i>ALL</i> chapters and topics in course so far, including assigned reading chapters.		
Class 7: June 20 <sup>th</sup>	Risk Return introduction Optimal Portfolio Choice & The Capital Asset Pricing Model (CAPM), Estimating the Cost of Capital	10 11, 12, 12A	
Class 8: June 27 <sup>th</sup>	Capital Structure	14, 15, 16	
Class 9: July 4 <sup>th</sup> (Online)	Capital Budgeting and Valuation with Leverage: Using WACC and project-adjusted WACC Options	18	
Class 10: July 11 <sup>th</sup>	Payout Policy Risk Management: Insurance	17 30	





Class 11: July 18 <sup>th</sup>	Risk Management: Insurance, Futures, Forwards and Options	30.1-30.2
Workshop 3 Fri, July 22 <sup>nd</sup> 6:30p.m. – 8:30p.m.	Pre-final review workshop	All chapters listed above should be reviewed prior to attending the workshop.
Tue, July 26 <sup>th</sup> 6:30p.m. – 9:30p.m.	Final Exam Room 106	Covers <b>ALL</b> chapters and topics in course, including assigned reading chapters.

## **ATTENDANCE**

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 because much of the in-class content is not understood solely from the readings or the PowerPoint. It is through active participation in class that you will achieve the most from this course. Make sure you always bring your calculator/Excel and always work through the examples as they are being done in class or in the workshops. If you have problems with the calculations or concepts, please raise your questions in class. If you have problems with using your calculator/Excel, please approach me during the breaks, after class, or in office hours.





## ACADEMIC REGULATIONS AND STUDENT SERVICES

#### HUMAN ETHICS APPROVAL FOR DATA COLLECTION

As part of coursework, if you will be collecting data from people who are not students in this class, you must obtain Human Ethics approval from the UofM's Research Ethics Board (REB) prior to data collection. This applies to data collection such as surveys, interviews, focus groups, experiments, video recording, etc., where a respondent is solicited for participation.

If the entire class will be working on the same project, your instructor will apply for human ethics approval from the REB. If individuals or small groups of students will be working on different projects, it is the responsibility of the students to obtain approval (only one group member needs to apply). Your instructor will tell you whether s/he will be or you need to. When in doubt, please talk to your instructor.

Instructions and forms to apply for human ethics approval can be found at: <u>http://umanitoba.ca/research/orec/ethics/guidelines.html</u>

In most cases, you will be using the "Protocol Submission Form" which is under the "REB Forms - Fort Garry Campus" heading.

It can take up to six weeks to process human ethics applications and obtain approval. Therefore, plan early. Note that approval must be obtained prior to data collection and cannot be obtained during the data collection phase or retroactively. Violation can get you, your instructor, and the Asper School in serious trouble with the REB.

If you will be collecting data only from other students in the class, you do not need REB approval. If you have any questions, please contact humanethics@umanitoba.ca or your instructor.

#### UNCLAIMED ASSIGNMENT POLICY

Pursuant to the FIPPA Review Committee's approved recommendations of August 15, 2007, all unclaimed student assignments will become the property of the faculty and will be subject to destruction six months after the completion of any given academic term.





## 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.

For Information on	follow this link	
Course Outlines, Year-at-a-Glance, Concentrations, Textbooks, VW Dates and Final Exams	MBA Course Information	
Exam Rescheduling Policy - Please refer to Missing a Test/Exam on page 18 of the MBA Student Handbook	MBA Student Handbook	
Help with research needs such as books, journals, sources of data, how to cite, and writing	Library Resources	
Tutors, workshops, and resources to help you improve your learning, writing, time management, and test-taking skills	Writing and Learning Support	
Support and advocacy for students with disabilities to help them in their academic work and progress	Student Accessibility Services	
Copyright-related questions and resources to help you avoid plagiarism or intellectual property violations	Copyright Office	
Student discipline bylaws, policies and procedures on academic integrity and misconduct, appeal procedures	Academic Integrity	
Policies & procedures with respect to student discipline or misconduct, including academic integrity violations	Student Discipline	
Students' rights & responsibilities, policies & procedures, and support services for academic or discipline concerns	Student Advocacy	
Your rights and responsibilities as a student, in both academic and non-academic contexts	Your rights and responsibilities	
Full range of medical services for any physical or mental health issues	University Health Service	
Information on health topics, including physical/mental health, alcohol/substance use harms, and sexual assault	Health and Wellness	
Any aspect of mental health, including anxiety, stress, depression, help with relationships or other life concerns, crisis services, and counselling.	Student Counselling Centre	
Support services available for help regarding any aspect of student and campus life, especially safety issues	Student Support Case Management	
Resources available on campus, for environmental, mental, physical, socio-cultural, and spiritual well-being	Live Well @ UofM	
Help with any concerns of harassment, discrimination, or sexual assault	Respectful Work and Learning Environment	
Concerns involving violence or threats, protocols for reporting, and how the university addresses them	Violent or Threatening Behavior	





# **A**CADEMIC INTEGRITY

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 misconduct in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic misconduct under the heading "Plagiarism and Cheating." Specifically, acts of academic misconduct 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
- o 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
- o copying the answers of another student in any test, examination, or take-home assignment
- o 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
- o 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 misconduct. 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 misconduct involving a graduate student (i.e. MBA, MFin, MSCM, MSc or PhD student) will be reported directly by the instructor to the Dean of the Faculty of Graduate Studies.





## **FACULTY BIOGRAPHY**

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

Ya Gao Assistant Professor Accounting and Finance I.H. Asper School of Business

Dr. Gao joined Asper School of Business in July 2017. She holds a Ph.D. in Finance from University of Cincinnati. Her researches focus on areas of corporate finance, including regulation, corporate control, and financial institutions. Dr. Gao presented her work at major academic conferences. She has taught Corporate Finance (FIN2200, FIN7030), Financial Management Practices (FIN4400), Alternative Investments (FIN7130) and Special Topics: Fixed Income (FIN7260).



