

FIN 7000 (A01/G01) (1.5 CH)
MANAGERIAL ECONOMICS
WINTER 2023

INSTRUCTOR

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Fax:	204-474-7545	Office Hours:	After class as needed or by apt
Email:	Steven.Zheng@umanitoba.ca	Class Room:	530 Drake Centre
		Class Time:	Fri, Mar 17: 9:30 am – 4:30 pm Sat, Mar 18: 9:30 am – 4:30 pm Sun, Mar 19: 9:30 am – 3:30 pm

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.

COURSE MATERIALS

A laptop computer with Excel software is required for this course and will need to be used in class, for the assignments and in the exam. Your laptop should be capable of accessing UM Learn, and operating under the Lockdown Browser embedded in UM Learn. A tablet (e.g., an iPad) will not be sufficient.

The laptop computer must come with Excel software. Assignments and the final exam will need to use Excel. Excel must be on the same laptop for final exam, not on any other device.

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 (5th Canadian Edition) by Berk, DeMarzo and Stangeland, Pearson Canada: chapters 2, 3, 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.

COURSE ASSESSMENT

Summary Sheets..... 12%
 Group Assignment 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 tentative grade cut-offs. These tentative cut-offs are subject to adjustments.			
Cumulative Marks	Grade	GPA	Performance
90-100	A+	4.5	Excellent
80-89.99	A	4.0	Very Good
75-79.99	B+	3.5	Good
70-74.99	B	3.0	Satisfactory
65-69.99	C+	2.5	Marginal
60-64.99	C	2.0	Unsatisfactory
50-59.99	D	1.0	Unsatisfactory
49.99 and below	F	0.0	Unsatisfactory

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 1st, 2nd, or 3rd 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.	Basics of Supply, Demand, Elasticities Regulation & Taxation Costs of production	FOEFB 2 FOEFB 3 FOEFB 4	1
2 Due Tuesday @ 8 a.m.	<i>Economic Profit: Perfect Competition versus Monopolies</i> <i>Alternative Market Structures, Business Strategy, and Public Policy</i>	FOEFB 5 FOEFB 6	2
3 Due Wednesday @ 8 a.m.	<i>Basics of Financial Reporting and Accounting Profit</i> <i>Basics of the Time Value of Money; Reconciling profit with value. What should be the optimal strategy for the firm?</i> <i>Course Conclusions</i>	CF 2 – concentrate on the financial statements and do not worry about the ratio analysis. CF 3, 4	3 and 4

- FOEFB is *Fundamentals of Economics for Business 2nd edition*, by David Barrows and John Smithin, Captus Press and World Scientific Publishers, 2009.
- CF is *Corporate Finance, 4th 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. The instructor will assign students to different groups based on the principle of promoting diversity in each group. Group peer evaluation will be required and will affect individual grades.

Students are not allowed to miss a graded course component unless a valid medical excuse is provided. 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.

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.

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. **You need to test the functionality of your computer using the lockdown browser 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.

ATTENDANCE

NOTE: Class attendance is required. Missing more than 20% of this course due to absence from lectures may result in a failing grade. It is your responsibility to inform your professor, in advance if possible, of your absence and the reason for it:

- 1) if **medical**, self-declaration form must be submitted for an illness lasting 5 consecutive days or less <https://umanitoba.ca/governance/governing-documents-students#self-declaration-for-brief-or-temporary-student-absences>, no later than 48 hours after the end of the brief absence; a medical note from your physician must be submitted for an illness lasting more than 5 days;
- 2) if a **work commitment**, a signed letter on letterhead from your supervisor is required in advance, noting clearly the date(s) you must be away for your work commitment(s);
- 3) if for **student competitions**, an email from your Asper team coach must be received in advance indicating the dates you are away at competition.

The professor will then decide how to deal with the impact of the missed classes on your final grade.

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 15:30 and there will only be a 5 minute break at 14:30). 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
09:30-11:00	Class time	1.5
11:00-11:15	Break	0.25
11:15-12:45	Class time	1.5
12:45-13:30	Lunch	0.75
13:30-14:45	Class time	1.25
14:45-15:00	Break	0.25
15:00-16:30	Class time	1.5
Total class time per day		5.75 hours
Total break time per day		1.25 hours

TENTATIVE COURSE SCHEDULE

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)
Day 1 (morning)	Basics of Supply, Demand, Elasticities Regulation & Taxation	FOEFB* 2 FOEFB 3
Day 1 (afternoon)	Costs of production Economic Profit: Perfect Competition versus Monopolies	FOEFB 4 FOEFB 5
Day 2 (morning)	Alternative Market Structures, Business Strategy, and Public Policy	FOEFB 6
Day 2 (afternoon)	Basics of Financial Reporting and Accounting Profit	CF** 2***
Day 3 (morning)	Basics of the Time Value of Money	CF 3, 4
Day 3 (afternoon)	Reconciling profit with value. What should be the optimal strategy for the firm?	CF 4
	Group Assignment	

	Due Tuesday March 28th @ 10 a.m. Winnipeg Time via UM Learn	
	Final Exam Sunday April 2nd (10 a.m. – 12 p.m.) Exam is 90 minutes and covers the whole course. Access to the exam will start at approximately 10 a.m.; blocked time includes time for setup and shutdown.	

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** CF is *Corporate Finance, 4th 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.

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:

<http://umanitoba.ca/research/orec/ethics/guidelines.html>

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.

The following do not require REB approval:

- a) Projects where students are conducting the research on themselves during class time;
- b) Projects involving the use of records or information that is in the public domain, including the use of anonymous secondary data and surveys or questionnaires that have already been published;
- c) Projects involving the use of naturalistic observation where there is no reasonable expectation of privacy (i.e. public park).

- d) Practicum or job training projects where students are fully integrated into the organization's operational practices and are not conducting research;
- e) Projects where the intent is to use the information to provide advice, diagnosis, identification of appropriate interventions or general advice for a client;
- f) Projects where the intent is to develop skills which are standard practice within a profession (e.g. observation, assessment, intervention, evaluation, auditing); or
- g) Projects where the information gathering processes are part of the normal professional relationship between the student and the participants.

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	Asper Graduate Student Resources
Exam Rescheduling Policy - <i>Please refer to Missing a Test/Exam on page 18 of the MBA Student Handbook</i>	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

ACADEMIC 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
- 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 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

Steven. X. Zheng, PhD

Stu Clark Professorship in Financial Management
Professor of Finance
Head, Department of Accounting and Finance
Asper School of Business

Areas of Research Interest: equity offering, long run stock performance, financial constraints, cross-listing, corporate governance, internal control

Areas of Teaching Interest: Corporate finance, financial markets and institutions, financial management practices, Managerial Economics

Dr. Zheng received his PhD in Finance from the State University of New York. His research focuses on corporate finance, especially equity offering such as initial public offering (IPO), seasoned equity offering, and private placements. Dr. Zheng discovered some interesting patterns in his research. For example, he shows that the more cash firms raise in IPOs, the worse their stocks will perform in the long run, suggesting that IPO firms tend to waste the cash they raise. In another study, Dr. Zheng and his co-authors find that many public firms in China use private placement of equity to steal from outside investors. Dr. Zheng's work has been published in many academic journals such as Journal of Banking and Finance, Financial Management, Journal of Empirical Finance, International Review of Financial Analysis, Journal of International Financial Markets, Institutions, & Money, Financial Review, Review of Quantitative Finance and Accounting, and Finance Research Letters. He received the Associates Award for Excellence in Research twice and currently holds the Stu Clark Professorship in Financial Management.

FACULTY BIOGRAPHY

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

Steven. X. Zheng, PhD

Stu Clark Professorship in Financial Management
Professor of Finance
Head, Department of Accounting and Finance
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