

Business Finance 1 Winter 2023

ECON 371

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Class Schedule

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Instructor & TA (Teaching Assistant) Information

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Course Description

Calendar Description for ECON 371

The course explores decisions faced by managers of firms. In particular, decision-makers must determine which long-term real investment opportunities to exploit. Once undertaken, managers must decide how to finance the projects, for example, by debt or equity. The course develops both the conceptual framework and the tools required for these decisions. The course assumes prior familiarity with probability, expected values, and variance.

Prereq: ECON 101 or ECON 100/COMM 103; ECON 221 or any prior course in probability and/or basic statistics; Level at least 2B. Antireq: AFM 271/273, AFM 274/371, ACTSC 372 after fall 2014

The course focuses on investment decisions by businesses and individuals. It describes major players and types of financial instruments in financial markets, and it offers the general framework of financial landscape. This course will describe the basics of how firms and individuals make investment decisions and how they finance their investments. The goal is to understand financial markets and investment strategies. The understanding of the most important financial problems leads to strategic planning and analytical understanding of possible solutions. Today's financial decisions are critical for the successes of the businesses in the future. This course will help students develop skills applicable to financial decision-making processes within businesses as well as in their personal lives.

The objectives of this course are for students to:

- understand the need for firms and individuals to make financial decisions and together work towards overcoming the universal problem of scarcity;
- appreciate the relevance of finance in a changing world;
- develop the capacity to apply critical thinking to finance issues.

Learning Outcomes

By the end of this course students should be able to:

Explain why maximizing market value is the logical financial goal of the corporation
Calculate and interpret some key measures of firm performance
Interpret price-earnings ratios
Calculate present and future values of streams of cash payments
Define and understand the fundamental features and elements of stocks and bonds
Use financial models to evaluate stocks and bonds
Interpret the relationships between financial markets and information
Perform interest rate conversions from APR to effective rates and vice versa
Develop loan amortization schedules using loan terms
Explain what a yield curve is and why short-term interest rates affect its shape
Identify the cash flows properly attributable to a proposed new project
Use sensitivity, scenario, and break-even analysis to evaluate the financial impact of forecasting errors

Tentative Course Schedule

This class schedule is ambitious. Modifications and/or eliminations of certain content might be required given our limited time together. Any necessary modifications or eliminations to the course content will be communicated to you during class.

Week	Date	Theme and Topic	Readings Due
1	Jan 9, 11, 13	<i>Introduction to Business Finance:</i> <ul style="list-style-type: none"> Course Orientation and Organization Corporate Finance and the Financial Manager 	Chapter 1
2	Jan 16, 18, 20	<ul style="list-style-type: none"> Corporate Finance and the Financial Manager <i>Introduction to Business Finance:</i> <ul style="list-style-type: none"> Financial Statement Analysis 	Chapter 1 Chapter 2
3	Jan 23, 25, 27	<i>Introduction to Business Finance:</i> <ul style="list-style-type: none"> Financial Statement Analysis <i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> The Valuation Principle: The Foundation of Financial decision Making 	Chapter 2 Chapter 3
4 ¹	Jan 30, Feb 1, 3	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> The Valuation Principle: The Foundation of Financial decision Making 	Chapter 3

Week	Date	Theme and Topic	Readings Due
5	Feb 6, 8, 10	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> The Time Value of Money Midterm 1 Review MIDTERM 1 (February 10)	Chapter 4
6	Feb 13, 15, 17	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> The Time Value of Money 	Chapter 4
7	Feb 20, 22, 24	Reading Week - No Classes	
	Feb 27, 29, Mar 1, 3	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> Interest Rates 	Chapter 5
8	Mar 6, 8, 10	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> Interest Rates Bonds 	Chapter 5 Chapter 6
9	Mar 13, 15, 17	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> Bonds Midterm 2 Review MIDTERM 2 (March 17)	Chapter 6 Chapter 7
11	Mar 20, 22, 24	<i>Interest Rates and Valuing Cash Flows:</i> <ul style="list-style-type: none"> Bonds Valuing Stocks 	Chapter 6 Chapter 7
12	Mar 27, 29, 31	<i>Investment Decisions:</i> <ul style="list-style-type: none"> Valuing Stocks Fundamentals of Capital Budgeting 	Chapter 7 Chapter 9
13	Apr 3, 5, 10 ¹	<i>Investment Decisions:</i> <ul style="list-style-type: none"> Fundamentals of Capital Budgeting Final Exam Review	Chapter 9

Tentative Schedule of Review Quizzes

- Quiz 1: Released January 16, due January 25. Coverage: Ch 1, Ch 2
- Quiz 2: Released January 30, due February 8. Coverage: Ch 3
- Quiz 3: Released February 27, due March 8. Coverage: Ch 4, Ch 5
- Quiz 4: Released March 13, due March 22. Coverage: Ch 6
- Quiz 5: Released March 27, due April 5. Coverage: Ch 7
- Quiz 6: Released April 3, due April 10. Coverage: Ch 9 or a mix of Ch 1 through 9 depending on progress.²

Any changes to this schedule and any other relevant information will be communicated during class.

Notes:

1. April 7 is Good Friday. All classes cancelled and offices closed. The loss of a Friday class on April 7 will be made up by following a Friday schedule on April 10.
2. Sometimes, we end up covering just a little bit of Chapter 9, which may not be enough for a full quiz. In that case, the quiz will be a mix of questions from all the chapters we covered so far.

Texts / Materials

Title / Name	Notes / Comments	Required
Jonathan Berk, Peter Demarzo, Jarrad Harford, David A. Stangeland, Andras Marosi. Fundamentals of Corporate Finance, Fourth Canadian Edition Plus MyLab Finance -- Access Card Package, 4/E	The textbook is available from the UW BookStore. The use of MyEconLab tests is optional. You may use them as a practice tool, but they will not be used for grading purposes.	Yes

Resources from the BookStore

Title : Fundamentals of Corporate Finance 4th ed + Mylab

Author: AC Berk et al

ISBN : 9780137309825

Price : \$95.00

Title : Learning Catalytics

ISBN : 9780134205496

Price : \$17.25 (one year)

The use of MyLab tests is optional. You may use them as a practice tool, but they will not be used for grading purposes. Learning Catalytics is used for bonus participation marks.

Pearson 24/7 Support Link:

<https://support.pearson.com/getsupport/s/contactsupport> (<https://support.pearson.com/getsupport/s/contactsupport>)

Readings Available on LEARN

- LEARN web site <https://learn.uwaterloo.ca/d2l/home> (<https://learn.uwaterloo.ca/d2l/home>)
- Announcements, lecture slides, midterm solutions
- Review Quizzes

The LEARN site is down occasionally. Save the course materials to your computer as soon as they are posted. Always be prepared!

Examinations in this course are based on the material contained in the textbook and the content presented in the PowerPoint slides, lectures, and the Learning Catalytics videos (which are strong complements, not substitutes).

Student Assessment

Component	Value
Review Quizzes	10%
Midterm 1	25% or 30%
Midterm 2	25% or 30%
Final Exam	35%
Bonus for participation	2%
Total	100%

The course grade will be based on review quizzes, two midterm exams, and a final examination, which will be held during the Official Examination Schedule. The midterm with the better mark will be worth 30% of your final grade, while the second-best midterm will be worth 25% of your final grade. The final exam will constitute 35% of your final grade and will be comprehensive (i.e., cover all course material from beginning to end).

Please note that the Learn website does not have an option to adjust weights for each student individually. I will set constant weights for each student of 25% for the first midterm and 30% for the second midterm in Learn, but I will be adjusting those weights individually in my Excel sheet when calculating final grades at the end of the semester.

There will also be a bonus grade up to 2% for participation (more on participation below under **Participation**).

Review Quizzes

- The purpose of the review quizzes is to help students identify and understand key concepts covered in the lectures and in the textbook.
- The format of the quizzes will mainly be multiple-choice questions, but there may also be some true-false questions, or short answer questions.
- The quizzes will be done online through the LEARN system.
- There will be a limited, but a reasonably long, time window set up in LEARN during which each quiz will be available for completion. There are two attempts for each quiz available and the better attempt counts.
- Quizzes that are not submitted on time will automatically receive a grade of zero.

Participation

Participation is recommended, and it will be rewarded through bonus marks up to the total of two percentage points (2%) that will be added to the students' final grade. Participation will be monitored through an online tool Learning Catalytics. The primary purpose of this tool in this class is to enhance the feedback mechanism between students and the instructor so that we can identify areas that may require special focus. You will be able to submit answers to in-class questions using Apple or Android smartphones and tablets, laptops, or through text message. Your participation grade will **not** depend on the correctness of your answers to the in-class questions.

Learning Catalytics

We will be using the Learning Catalytics classroom response system. Included with the purchase of a new text is a subscription to Learning Catalytics (through MyLab), which is a web-based student response system.

If you do not have a new text or code to MyLab, codes can be purchased separately through the bookstore, as it is the cheapest option - **\$17.25 CND for 12 months**.

Through the Learning Catalytics website the cost is \$12 **USD** (6 months) or \$20 **USD** (12 months).

To register please visit www.learningcatalytics.com (<http://www.learningcatalytics.com>).

Please reference the step-by-step login document for detailed instructions. Under the Training & Support tab, you will find helpful information including technical support.

Midterms and Final Exam

- The format for midterms and the final exam will be a mix of multiple-choice questions, numerical calculation questions, and written problems.
- The final exam period for the Winter Term 2023 is April 13 - April 28 inclusive. More on the UW Final Examination policy can be found here: <http://ugradcalendar.uwaterloo.ca/page/Acad-Regs-Assignments-Tests-and-Final-Exams> (<http://ugradcalendar.uwaterloo.ca/page/Acad-Regs-Assignments-Tests-and-Final-Exams>).
- The final exams will be scheduled by The Registrar's Office. The default time for the completion of the final exam is any 150 minutes.
- Only the Registrar's Office can issue final grades.

This grading policy will be implemented strictly for all students in the course (with the exception of verified illnesses or self-isolation due to COVID-19 – see below).

Missing a Midterm Due to Illness During the Term

- Missing a midterm will automatically result in a grade of zero for that midterm. If the illness can be documented¹, with approval, you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.

Missing a Midterm Due to Self-Isolation

- If the self-isolation can be documented, with approval, you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.

Missing the Final Exam Due to Illness

- Missing the final exam is a serious matter, which automatically results in a grade of zero for the final exam and possibly a failing grade for the course. Please carefully read the Economics Department policy on deferred final exams for instructions.
- Students are permitted to self-declare illness due to COVID-19 but will require a virtual Verification of Illness Form if they missed an exam due to mental health or non-covid-19 related illness.
- The Undergraduate Associate Chair will determine whether a deferred exam will be granted if required.
- No deferred final exam will be provided for students who missed all the exams (including the final exam) in this course
- Elective arrangements (such as travel plans) are not considered acceptable grounds for granting an accommodation.

Notes:

1. Students are permitted to self-declare illness due to COVID-19, but will require a virtual Verification of Illness Form if they missed an exam due to mental health or non-covid-19 related illness.

Assignment Screening

No assignment screening will be used in this course.

Administrative Policy

Intellectual Property

Students should be aware that this course contains the intellectual property of their instructor, TA, and/or the University of Waterloo.

Intellectual property includes items such as:

- Lecture content, spoken and written (and any audio/video recording thereof);
- Lecture handouts, presentations, and other materials prepared for the course (e.g., PowerPoint slides);
- Questions or solution sets from various types of assessments (e.g., assignments, quizzes, tests, final exams); and
- Work protected by copyright (e.g., any work authored by the instructor or TA or used by the instructor or TA with permission of the copyright owner).

Course materials and the intellectual property contained therein, are used to enhance a student's educational experience. However, sharing this intellectual property without the intellectual property owner's permission is a violation of intellectual property rights. For this reason, it

is necessary to ask the instructor, TA and/or the University of Waterloo for permission before uploading and sharing the intellectual property of others online (e.g., to an online repository).

Permission from an instructor, TA or the University is also necessary before sharing the intellectual property of others from completed courses with students taking the same/similar courses in subsequent terms/years. In many cases, instructors might be happy to allow distribution of certain materials. However, doing so without expressed permission is considered a violation of intellectual property rights.

Please alert the instructor if you become aware of intellectual property belonging to others (past or present) circulating, either through the student body or online. The intellectual property rights owner deserves to know (and may have already given their consent).

Mental Health Support

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health support if they are needed.

On Campus

Due to COVID-19 and campus closures, services are available only online or by phone.

- Counselling Services: counselling.services@uwaterloo.ca (mailto:counselling.services@uwaterloo.ca) / 519-888-4567 ext. 32655
- [MATES](https://wusa.ca/services/uw-mates/) (https://wusa.ca/services/uw-mates/): one-to-one peer support program offered by the Waterloo Undergraduate Student Association (WUSA) and Counselling Services

Off campus, 24/7

- [Good2Talk](https://good2talk.ca/) (https://good2talk.ca/): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-4300 ext. 6880
- [Here 24/7](https://here247.ca/) (https://here247.ca/): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](https://ok2bme.ca/) (https://ok2bme.ca/): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online on the Faculty of Arts [website](https://uwaterloo.ca/arts/get-mental-health-support-when-you-need-it) (https://uwaterloo.ca/arts/get-mental-health-support-when-you-need-it).

Download [UWaterloo and regional mental health resources \(PDF\)](https://uwaterloo.ca/arts/sites/ca.arts/files/uploads/files/counselling_services_overview_002.pdf) (https://uwaterloo.ca/arts/sites/ca.arts/files/uploads/files/counselling_services_overview_002.pdf).

Download the [WatSafe app](https://uwaterloo.ca/watsafe/) (https://uwaterloo.ca/watsafe/) to your phone to quickly access mental health support information.

Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabe and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes ten kilometres on each side of the Grand River.

For more information about the purpose of territorial acknowledgements, please see the [CAUT Guide to Acknowledging Traditional Territory](https://www.caut.ca/content/guide-acknowledging-first-peoples-traditional-territory) (https://www.caut.ca/content/guide-acknowledging-first-peoples-traditional-territory).

Academic freedom at the University of Waterloo

[Policy 33, Ethical Behaviour](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-33) (https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-33) states, as one of its general principles (Section 1), "The University supports academic freedom for all members of the University community. Academic freedom carries with it the duty to use that freedom in a manner consistent with the scholarly obligation to base teaching and research on an honest and ethical quest for knowledge. In the context of this policy, 'academic freedom' refers to academic activities, including teaching and scholarship, as is articulated in the principles set out in the Memorandum of Agreement between the FAUW and the University of Waterloo, 1998 (Article 6). The academic environment which fosters free debate may from time to time include the presentation or discussion of unpopular opinions or controversial material. Such material shall be dealt with as openly, respectfully and sensitively as possible." This definition is repeated in Policies 70 and 71, and in the Memorandum of Agreement, Section 6

Cross-listed courses

Please note that a cross-listed course will count in all respective averages no matter under which subject code it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science subject code.

Economics Department Deferred Final Exam Policy

All deferred Final Exam requests for economics courses are administered by the Economics Undergraduate Office. Please consult the Deferred Exam Policy at

<https://uwaterloo.ca/economics/undergraduate/resources-and-policies/deferred-final-exam-policy>.
(<https://uwaterloo.ca/economics/undergraduate/resources-and-policies/deferred-final-exam-policy>).

University Policy

Academic integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. [Check [the Office of Academic Integrity](https://uwaterloo.ca/academic-integrity/) (<https://uwaterloo.ca/academic-integrity/>) for more information.]

Grievance: A student who believes that a decision affecting some aspect of their university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70, Student Petitions and Grievances, Section 4](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70) (<https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70>). When in doubt, please be certain to contact the department's administrative assistant who will provide further assistance.

Discipline: A student is expected to know what constitutes academic integrity to avoid committing an academic offence, and to take responsibility for their actions. [Check [the Office of Academic Integrity](https://uwaterloo.ca/academic-integrity/) (<https://uwaterloo.ca/academic-integrity/>) for more information.] A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course instructor, academic advisor, or the undergraduate associate dean. For information on categories of offences and types of penalties, students should refer to [Policy 71, Student Discipline](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71>). For typical penalties, check [Guidelines for the Assessment of Penalties](https://uwaterloo.ca/secretariat/guidelines/guidelines-assessment-penalties) (<https://uwaterloo.ca/secretariat/guidelines/guidelines-assessment-penalties>).

Appeals: A decision made or penalty imposed under [Policy 70, Student Petitions and Grievances](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70) (<https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70>) (other than a petition) or [Policy 71, Student Discipline](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71>) may be appealed if there is a ground. A student who believes they have a ground for an appeal should refer to [Policy 72, Student Appeals](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-72) (<https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-72>).

Note for students with disabilities: [AccessAbility Services](https://uwaterloo.ca/accessability-services/) (<https://uwaterloo.ca/accessability-services/>), located in Needles Hall, Room 1401, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with AccessAbility Services at the beginning of each academic term.

Turnitin.com: Text matching software (Turnitin®) may be used to screen assignments in this course. Turnitin® is used to verify that all materials and sources in assignments are documented. Students' submissions are stored on a U.S. server, therefore students must be given an alternative (e.g., scaffolded assignment or annotated bibliography), if they are concerned about their privacy and/or security. Students will be given due notice, in the first week of the term and/or at the time assignment details are provided, about arrangements and alternatives for the use of Turnitin in this course.

It is the responsibility of the student to notify the instructor if they, in the first week of term or at the time assignment details are provided, wish to submit alternate assignment.