

9.220 - CORPORATION FINANCE

Fall (Term 1) 2002

PREREQUISITES & COREQUISITES:

Required Prerequisite: Intro. Financial Accounting – 9.110; Principles of Economics – 18.120

Required Co-requisite: Basic Statistical Analysis I – 5.100

Note: All students are required to have completed Calculus and Linear Algebra before entering the Bachelor of Commerce program through track 1; track 2 students are to have completed these courses immediately upon entry into the Bachelor of Commerce program. Knowledge of Calculus and Linear Algebra is assumed and required for 9.220. Non-Commerce students who do not have this background are encouraged to consult with the professor as needed when concepts from these subjects are used in class.

COURSE OBJECTIVE:

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

REQUIRED MATERIALS:

1. S. A. Ross, R. W. Westerfield, J. F. Jaffe, and G. S. Roberts, Corporate Finance (Third Canadian Edition), McGraw-Hill Ryerson Limited, 2003.
2. G. Jacoby, D. Stangeland, and E. Wajeeh, Notes to Accompany Ross, Westerfield, Jaffe, and Roberts, Corporate Finance, McGraw-Hill Ryerson Limited, 2002 – download from the class website.
3. Hewlett Packard HP-10B financial calculator or higher level HP calculator.

RECOMMENDED READING:

It is suggested that you begin reading about current business activities. This will enable you to see the course material applied in real business situations. Two suggested sources of current business information are (1) *The National Post* (Financial Post), and (2) *The Globe and Mail* (Report on Business). Both of these publications are usually available outside the front door of the Drake Centre each morning. In addition, copies are available in the library.

GRADING AND EXAMINATIONS:

Final grades are based on the student's weighted mark and performance relative to other students.

Assignments		20%
Midterm Exam I	Monday, October 14, 2002, 7-9 p.m.	20%
Midterm Exam II	Monday, November 18, 2002, 7-9 p.m.	20%
Final Exam	TBA	40%

Assignments are meant to be learning experiences and help prepare students for the exams. In addition to being a breach of academic integrity, collaboration on assignments results in poor performance on exams and low or failing grades in the course. If you have questions about assignments or the course material and you need additional help after thoroughly reading the text and reviewing the notes, then you should consult with your instructor during office hours.

The fine print:

Students are not allowed to miss an assignment or exam unless a valid medical excuse is provided. **Students with valid medical excuses must complete and submit the "Medical Absenteeism Form" attached at the end of this syllabus. Both the student and the attending physician must sign this document otherwise the excuse will be deemed invalid.** If you have already used your form, please obtain a replacement from the instructor should you be sick again. The form is also available on the 9.220 website and from the department secretary. We would be happy to fax this form to you or your physician if necessary. There will be no make-up exams or assignments. Those students who miss a component and have a valid medical excuse will have the weight of that component added to the final exam. Those students who miss a component without a valid medical excuse will receive a mark of 0% on that component.

Assignments will be due weekly throughout the course. Students must hand in their assignments at the beginning of the class **before the markers collect them**. Assignments submitted following collection by the markers will be considered late. If you submit an assignment late it will be penalized as follows: up to 75 minutes late (i.e., during class, but not before they have been collected) -20%; more than 75 minutes late up to 24 hours late -50%; more than 24 hours late -100%. E.g., suppose you submit an assignment 20 minutes into the class. If you received 80% on the assignment before the late penalty, you would receive 60% following the penalty. The minimum mark on an assignment after all late penalties is limited to 0%. If you fail to submit an assignment on time and your professor is not available, please submit it to the receptionist on the 4th floor of the Drake Centre. Ask the receptionist to initial the assignment and indicate the date and time it is received; she will then put it into the professor's mail box. **Assignments improperly submitted will be considered over 24 hours late and will not be marked.**

Formula sheets will not be provided for the exams. Instead, students are permitted to bring in one 8.5 by 11 inch sheet of paper on which they can write anything. This applies to all exams; i.e., for the final exam you only get to bring one 8.5 by 11 inch "formula" sheet. You should begin preparing your "formula" sheet immediately. Formula sheets must be hand written. **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. Following the exam, offending students will be referred to the Dean's office on a violation of academic integrity.

Note: the **final exam is cumulative** and the second midterm will require use and knowledge of material presented before the first midterm.

Note: all assignments and exams are to be done on an individual basis. It is an academic offense to use the material or answers of another student or to provide another student with your material or answers. Any suspected breach of the Faculty's code of Academic Integrity will be reported to and dealt with by the Dean's office.

TENTATIVE COURSE OUTLINE:

You will find that the course progresses quickly and 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. If you read the text in advance of the relevant classes, you will have a much better chance of understanding the material as it is taught. It is the **student's responsibility** to read the assigned material **prior** to the relevant class.

Lecture	Topic	Chapter
September 5	Introduction	1
Students who have forgotten the material from the prerequisite accounting course, 9.110, are responsible for reading Chapter 2 on their own. This knowledge is assumed; it will not be covered in class.		2
Sept. 10	Financial Markets and Present Value	3
Sept. 12-19	Time Value of Money Present Values, Future Values; Annuities, Perpetuities; Regular and Growing Interest Rate Conversions	4
Sept. 24	Valuation of Bonds and Stocks: Basic Principles	5 (omit 5.5-5.8)
Sept. 26	Term Structure of Interest Rates	5A
Oct. 1-3	Capital Budgeting: Criteria for Choosing Investment Projects	6 (omit 6.3)
Oct. 8-10	Capital Budgeting: Further Considerations	7 (omit 7.5) 7A, 1A, 8.1
Monday October 14	Midterm I: 7 p.m.-9 p.m.	
Oct. 15	Risk and Return: Introduction	9, 9A
Oct. 17-24	The Capital Asset Pricing Model	10 (omit 10A)
Oct. 29-31	Risk, Return, and Capital Budgeting; WACC	12 (omit 12A)
Nov. 5	Market Efficiency	13
Nov. 7-14	Options and Corporate Finance	22 (omit 22.8-22.11)
Monday November 18	Midterm II: 7 p.m.-9 p.m.	
	Long Term Financing Students are responsible for this material on their own; it will not be covered in class.	14, 19 (omit 19.6), 20 (omit 20.3)
Nov. 19	Capital Structure: Introduction	15
Nov. 21-26	Capital Structure: Conclusion	16, 16A, 16B, 22.9, 22.10
Nov. 28-Dec. 3	Futures and Forwards	25 (Sec. 1-3)
TBA	Final Exam	

ACADEMIC INTEGRITY:

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. Page 28 of the University of Manitoba General 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 (e.g., crib notes)
- using any unauthorized materials in an examination or term test (e.g., 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.

Group Projects and Group Work: 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. Should a violation occur, group members are jointly accountable unless the violation can be attributed to a specific individual(s).

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 are passed to the Dean's office in order to ensure consistency of treatment.