



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### RSM 333H1F – Introduction to Corporate Finance

#### Fall 2023

L0101	Tuesdays	1:00pm - 3:00pm	HA
L0201	Tuesdays	3:00pm – 5:00pm	HA
L0301	Wednesdays	9:00am – 11:00am	WO
L0401	Wednesdays	1:00pm – 3:00pm	SS
L0501	Wednesdays	3:00pm – 5:00pm	SS
L0601	Thursdays	3:00pm – 5:00pm	MS
L0701	Tuesdays	9:00am – 11:00am	SS

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Instructor: Otto Yung (L0301/L0401/L0501/L0601)  
E-Mail: [otto.yung@rotman.utoronto.ca](mailto:otto.yung@rotman.utoronto.ca)  
Office Hours: See Quercus for details.

Instructor: Anwar Husain (L0101/L0201/L0701)  
E-Mail: [anh3783@g.harvard.edu](mailto:anh3783@g.harvard.edu)  
Office Hours: See Quercus for details.

Webpage: <https://q.utoronto.ca>

Teaching Assistant(s): TBA

### Course Scope, Mission, and Learning Outcomes

The objective of a firm's management is to maximize the value of the firm. We will cover the main financial decisions that managers take to achieve this objective. Management must decide what investments or projects to undertake – for example, buying machinery, launching a new product, or potentially acquiring another firm. These projects need to be funded. As a result, investment decisions and financing decisions are interrelated. We will also discuss how firms manage cash and other liquid assets (working capital) and learn about corporate financial planning. The diagram below provides a framework to consider the main topics we will cover.

This course will benefit not only finance specialists but those in a variety of careers. It is useful to understand corporate finance principles, as corporate financial decisions have implications for accounting, marketing, strategy, and human resource planning decisions and vice versa. We will include discussions of recent events to highlight concepts covered in the course.

Topics covered:

- Investments (Projects) will be covered in Sessions 1, 2, 3, 4, 9 and 10.
- Financing will be covered in Sessions 4, 5, 6, and 8.
- Working Capital Management and Financing Planning will be covered in Session 11.

After successful completion of the course, students should be able to:

- Evaluate whether a project should be undertaken by a firm and how a project should be financed.
- Calculate a firm's cash flows; identify the discount rate to use; conduct scenario and sensitivity analysis; and incorporate real options in project analysis.
- Compare and contrast different approaches to assessing a project; discuss the pros and cons of each method.
- Describe and apply the Modigliani-Miller theories of capital structure and dividends.
- Identify factors a firm should consider in determining its debt/equity mix and dividend policy.
- Estimate the value of a firm using discounted cash flow analysis and trading multiples.
- Explain the potential benefits of a merger and estimate possible prices at which a transaction could take place.
- Calculate a firm's sustainable growth rate and identify factors affecting this measure.
- Explain working capital, why it is important, and what factors may affect cash holdings or decisions to offer credit to customers or take credit from suppliers.

### **Course Prerequisites**

- Prerequisite: RSM219H1, RSM332H1
- Exclusion: ACT349H1, ECO359H1

### **Course Materials - Required Readings**

Ross, S.A., R.W. Westerfield, J.F. Jaffe, G.S. Roberts and H. Driss, Corporate Finance, 9<sup>th</sup> Canadian Edition, McGraw-Hill Education, 2022. This is the same textbook that is assigned for RSM 230 and RSM 332.

In RSM 333 we make extensive use of the textbook, including referring to specific examples within chapters and to specific end-of-chapter problems. If you do not yet have the textbook, you can purchase a physical copy at the St. George bookstore <https://www.uoftbookstore.com/locations> or a digital copy at <https://www.uoftbookstore.com/adoption-search> . With your purchase of the digital textbook, you will have access to edition updates for several years in digital form.

## Evaluation and Grades

<u>Work</u>	<u>% of Grade</u>	<u>Due Date</u>
Financial Math Quiz	2%	Week 3
Participation	8%	Ongoing (further details to be shared by the instructor)
Group Assignment	22%	Pre-Work 2% / Report 8% / Presentation 12%
Midterm Exam	28%	Friday, October 20 <sup>th</sup> (7:00pm start)
Final Exam	40%	During Faculty of Arts & Science Final Examination period

## Course Format and Expectations

There will be class lectures. With the exception of group assignments and anything that is specifically identified as a group activity, you are expected to complete quizzes on your own. Please note that sharing a quiz question in any way during the quiz period is a violation of academic integrity. Sharing a quiz question without the permission of the instructor and/or outside of Quercus (e.g., on social media or email) is a violation of copyright, and depending on the circumstances may be a violation of academic integrity.

## Writing Assignments or Presentations

Assignments and presentations are intended to help you develop your communication skills. How well you communicate your ideas, in writing or orally, will be considered in the evaluation of the assignment. In your written assignments, you should aim for clarity, strong organization, concision, professionalism, and correct grammar. Your presentations should reflect strong planning and organization, clarity of speech, and an engaging demeanour. Sources, whether in written or presentation assignments, should always be correctly attributed.

Support is available through the RC Centre for Professional Skills (CPS) for students who would like help or feedback on their writing or speaking (presentations). CPS offers both individual and group appointments with trained writing instructors and presentation coaches who are familiar with the RC program and common types of business assignments. You can also access your college Writing Centres for help with written assignments.

You can book an appointment with a writing or presentation coach through the RC Centre for Professional Skills Writing Centre. For more information about writing centres, student supports, and study resources, see the [Writing and Presentation Coaching academic support page](#).

## Group Assignments

Group assignments require students to work in teams. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

## Class Participation

Your instructor will announce further details in class and on Quercus.

Students are expected to prepare thoroughly and make every effort to attend every class. As class participation is a graded component of the course, students will be evaluated on the following:

- Thoughtful responses
- Understanding and analysis of topic
- Idea generation
- Promoting further discussion
- Respectful active listening
- Attentiveness

While attendance is necessary for students to participate in class discussions, attendance on its own will not result in a high participation grade. Students must actively contribute and participate by exhibiting the components listed above.

## Missed Tests and Assignments

Students who miss a test or assignment for reasons entirely beyond their control (e.g., illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, e.g., Absence Declaration from [ACORN](#), medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable. There will be no make-up assignments or tests. Students who miss a term test, quiz, or assignment will have marks reallocated to the subsequent deliverable of the same nature (e.g., marks for the mid-term test will be reallocated to the final exam).

### *Late Assignments*

All assignments are due on the date and at the time specified in Quercus. Late submissions will normally be penalized by 10% if the assignment is not received on the specified date, at the specified time. A further penalty of 10% will be applied to each subsequent day. Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

## Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

## Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please email Accessibility Services or visit the Accessibility Services website for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

## Original

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the University's Plagiarism Detection Tool FAQ page from Centre for Teaching Support & Innovation.

## Generative AI / ChatGPT

The use of generative artificial intelligence tools or apps in this course, including tools like ChatGPT and other AI writing or coding assistants, is prohibited.

This course policy is designed to promote your learning and intellectual development and to help you reach course learning outcomes.

## Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

[The University of Toronto's Code of Behaviour on Academic Matters](#) outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers.
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to) medical notes.

All suspected cases of academic dishonesty will be investigated by the procedures outlined in the [Code of Behaviour on Academic Matters](#). If you have any questions about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other U of T or RC resources such as the RC Centre for Professional Skills, the College Writing Centres or the Academic Success Centre.

## **Email**

At times, the course instructor may decide to communicate important course information by email. As such, all U of T students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up and properly entered on ACORN. For more information visit the [Information Commons Help Desk](#).

Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

## **Recording Lectures**

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

## Class Schedule

### Section L0601(Thursdays), L0101/L0201/L0701 (Tuesdays), L0301/L0401/L0501(Wednesdays)

Session	Topic	Readings
1: <a href="#">September 7 - 13</a>	Introduction to Corporate Finance and Capital Budgeting Methods	Chapters 1 and 7
2: <a href="#">September 14 - 20</a>	Estimating Cash Flows and Capital Budgeting Decisions	Chapter 8
3: <a href="#">September 21 - 27</a>	Capital Budgeting – Risk & Return	Chapter 9
4: <a href="#">September 28 – October 4</a>	Cost of Capital	Chapter 13
5: <a href="#">October 5 – October 11</a>	Capital Structure I – Debt/Equity Mix	Chapters 15 and 16
6: <a href="#">October 12 – October 18</a>	Capital Structure II – Limits to the Use of Debt	Chapter 17
<b>7: Friday, October 20<sup>th</sup> (7:00pm - 9:00pm) – Midterm Exam</b>		
8: <a href="#">October 26 – November 1</a>	Dividend Policy	Chapter 19
9: <a href="#">November 2, 14, and 15</a>	Valuation	Chapter 18
<b>Monday, November 6<sup>th</sup> (Course Withdrawal Deadline)</b> <b>(This is the last day you can drop the course without academic penalty)</b>		
<b>Reading Week (Monday, November 6<sup>th</sup> to Friday, November 10<sup>th</sup>)</b>		
10: <a href="#">November 16 - 22</a>	Mergers and Acquisitions	Chapter 30
11: <a href="#">November 23 - 29</a>	Financial Analysis Refresher / Financial Planning and Growth / Working Capital Management	Chapters 2, 3, 27, 28, and 29
12: <a href="#">November 30 – December 6</a>	Group Presentations	
<b>Final Exam (During Exam Period – December 9<sup>th</sup> to 20<sup>th</sup>)</b>		



## Other Useful Links

- [Become a volunteer note taker](#)
- [Accessibility Services Note Taking Support](#)
- [Credit / No-Credit in RSM courses](#)
- [Rotman Commerce Academic Support](#)

## URL links for print

- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>