

# Course Outline

<b>Course Code</b>	RSM 333 H1 S																																			
<b>Course Name</b>	Corporate Finance																																			
<b>Term, Year</b>	Winter, 2024																																			
<b>Course Meets</b>	<table> <tr> <td>L0101</td> <td>Tuesday 1 PM – 3 PM</td> <td>Irene Yi</td> </tr> <tr> <td>L0201</td> <td>Tuesday 3 PM – 5 PM</td> <td>Irene Yi</td> </tr> <tr> <td>L0301</td> <td>Wednesday 9 AM – 11 AM</td> <td>Adel Khusnulgatin</td> </tr> <tr> <td>L0401</td> <td>Wednesday 11 AM – 1 PM</td> <td>Irene Yi</td> </tr> <tr> <td>L0501</td> <td>Wednesday 1 PM – 3 PM</td> <td>Irene Yi</td> </tr> <tr> <td>L0601</td> <td>Wednesday 3 PM – 5 PM</td> <td>Adel Khusnulgatin</td> </tr> <tr> <td>L5101</td> <td>Tuesday 5 PM – 7 PM</td> <td>Rayomand Daroga</td> </tr> <tr> <td>L5201</td> <td>Tuesday 7 PM – 9 PM</td> <td>Rayomand Daroga</td> </tr> <tr> <td>L5301</td> <td>Thursday 5 PM – 7 PM</td> <td>Rayomand Daroga</td> </tr> <tr> <td>L5401</td> <td>Thursday 7 PM – 9 PM</td> <td>Rayomand Daroga</td> </tr> <tr> <td colspan="2">Tutorial Friday 11am-12pm (Zoom)</td> <td>Teaching Assistants</td> </tr> </table>			L0101	Tuesday 1 PM – 3 PM	Irene Yi	L0201	Tuesday 3 PM – 5 PM	Irene Yi	L0301	Wednesday 9 AM – 11 AM	Adel Khusnulgatin	L0401	Wednesday 11 AM – 1 PM	Irene Yi	L0501	Wednesday 1 PM – 3 PM	Irene Yi	L0601	Wednesday 3 PM – 5 PM	Adel Khusnulgatin	L5101	Tuesday 5 PM – 7 PM	Rayomand Daroga	L5201	Tuesday 7 PM – 9 PM	Rayomand Daroga	L5301	Thursday 5 PM – 7 PM	Rayomand Daroga	L5401	Thursday 7 PM – 9 PM	Rayomand Daroga	Tutorial Friday 11am-12pm (Zoom)		Teaching Assistants
L0101	Tuesday 1 PM – 3 PM	Irene Yi																																		
L0201	Tuesday 3 PM – 5 PM	Irene Yi																																		
L0301	Wednesday 9 AM – 11 AM	Adel Khusnulgatin																																		
L0401	Wednesday 11 AM – 1 PM	Irene Yi																																		
L0501	Wednesday 1 PM – 3 PM	Irene Yi																																		
L0601	Wednesday 3 PM – 5 PM	Adel Khusnulgatin																																		
L5101	Tuesday 5 PM – 7 PM	Rayomand Daroga																																		
L5201	Tuesday 7 PM – 9 PM	Rayomand Daroga																																		
L5301	Thursday 5 PM – 7 PM	Rayomand Daroga																																		
L5401	Thursday 7 PM – 9 PM	Rayomand Daroga																																		
Tutorial Friday 11am-12pm (Zoom)		Teaching Assistants																																		
<b>Web page URL</b>	<a href="https://q.utoronto.ca/courses/340256">https://q.utoronto.ca/courses/340256</a>																																			

## Instructor Details

Name	Email	Phone	Office Hours	Virtual Office Link
Rayomand Daroga	<a href="mailto:ray.daroga@rotman.utoronto.ca">ray.daroga@rotman.utoronto.ca</a>	416-978-3689	By appointment (@ RT 440, send email)	By appointment (Zoom, send email)
Adel Khusnulgatin	<a href="mailto:adel.khusnulgatin@rotman.utoronto.ca">adel.khusnulgatin@rotman.utoronto.ca</a>	647-679-8486	By appointment (@ RT 463, send email)	By appointment (Zoom, send email)
Irene Yi	<a href="mailto:i.yi@rotman.utoronto.ca">i.yi@rotman.utoronto.ca</a>	416-946-4093	By appointment (@ RT 466, send email)	By appointment (Zoom, send email)

## 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 inter-related. We will also discuss how firms manage cash and other liquid assets (working capital) and learn about corporate financial planning. The diagram on the following page 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.

#### **INVESTMENTS/PROJECTS**

- Capital Budgeting Methods (Session 1)
- Estimating Cash Flows (Session 2)
- Capital Budgeting Decisions (Session 2)
- Risk and Return (Session 3)
- Cost of Capital (Session 4)
- Valuation (Session 9)
- Mergers and Acquisitions (Session 10)

#### **FINANCING**

- Cost of Capital (Session 4)
- Capital Structure: Choosing the Debt/Equity Mix (Session 5)
- Capital Structure: Limits to the Use of Debt (Session 6)
- Dividend Policy (Session 8)

#### **WORKING CAPITAL MANAGEMENT**

- Source of short-term financing, has implications for long-term investments (Session 11)

#### **FINANCIAL PLANNING**

- Financial ratios, determining Sustainable Growth Rate (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.
- 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.
- Calculate a firm's sustainable growth rate and identify factors affecting this measure.

### **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, 9th 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 digital copy. There are also Connect resources made available by McGraw-Hill Education if you would like access to online practice questions.

The publisher has made available a special exclusive deal. With your purchase of the digital textbook you have access to edition updates for four years in digital form. The University of Toronto Bookstore sells access codes for both the digital copy of the text and the optional Connect resources as noted below, with relevant ISBN codes:

Print package with Connect, 4-year access card: 9781264849215 \$189.95

Digital Only Connect, 4-year access: 9781264830961 \$120 list

Digital Only Connect, no-ebook (180-day access): 9781264832033 \$60 list

**URL Link for the eBook:** <https://connect.mheducation.com/class/r-333-rsm333-winter-2024>

### Evaluation and Grades

Grades are a measure of the knowledge and skills developed by a student within individual courses. Each student will receive a grade on the basis of how well they have command of the course materials, skills and learning objectives of the course.

Work	Percentage of grade	Due Date
Financial Math Quiz (on Quercus)	3%	Jan 26, 5 pm
Class Participation	10%	Ongoing
Mid-Term Test	25%	March 1, 7 pm – 9 pm
Group Assignment (2% pre-work + 8% report + 12% presentation)	22%	Pre-work: Feb 2, 5 pm Report: Mar 28, 5 pm Presentation: Week 12 (in-class)
Final Term Test	40%	TBD

### Course Format and Expectations

The class meets in person at a scheduled time for two hours each week. There will be a midterm test, final exam, group assignments, ongoing participation exercises, and a financial math quiz. With the exception of group assignments, you are expected to complete exams and 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 Facebook) is a violation of copyright, and depending on the circumstances may be a violation of academic integrity.

### Weekly Tutorials

Tutorials will be held online weekly, on Fridays. Tutorial problems will be assigned in advance. During the tutorial, a TA will demonstrate how to approach the problems and think through the solutions. To make best use of available time, tutorial sessions will focus on the most challenging of the assigned problems. Recordings of the tutorials will be posted. More information about tutorials will be posted on Quercus.

### *Financial Math Quiz (Individual)*

An individual quiz covering financial math skills will be posted on Quercus and is worth 3%. It is due on January 26 at 5pm.

### *Class Participation*

Students are expected to prepare thoroughly and make every effort to attend every class. There will be opportunities to obtain participation marks in various formats (e.g., contributing to class discussion, completing in-class participation exercises, booking an appointment with the CPS writing coach), either in class or outside of class. For in-class participation exercises, there are no make-up exercises for missed classes. To allow for occasional absences without an impact on participation grades, students will have multiple opportunities to earn points, with a cap of 10 points total. The highest scores from these opportunities will be aggregated to constitute your final participation mark. More information about participation marks will be posted on Quercus.

### *Mid-Term Test*

There will be an in-person term test related to the course material worth 25% of the final mark. The test will cover course material in Session 1–6, inclusive.

### *Group Assignment*

There will be one written group assignment and a group presentation. Students will be required to work in teams of 4–6. Rotman Commerce will create groups, all registered in the same section. You will work with the same group for all the group assignments throughout the semester. To help you prepare and work more effectively, there will be a short pre-work assignment due on February 2 (worth 2% of the final grade). There will be one written group report due on March 28 (worth 8% of the final grade). During Week 12, there will be a group presentation (worth 12% of the final grade). More information about the group work will be posted on Quercus.

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.

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](#).

## *Final Term Test*

The final term test will be comprehensive, covering all material in the course. It is worth 40% of the final mark. Further information will be posted in Quercus.

## *Missed Tests and Assignments (including mid-term and final-term tests)*

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, eg. 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. Students who miss a term test, quiz, or assignment will have marks reallocated to the subsequent deliverable of the similar nature (e.g. marks for the mid-term test will be reallocated to the final term test).

## *Late Assignments*

Late submissions will normally be penalized by 10% if the assignment is not received by the specified date, at the specified time. A further penalty of 10% will be applied to each subsequent day. For example, if a quiz is due at 5:00 pm on January 26, if you submit the quiz after 5:00 pm on January 26 and before 5:00 pm on January 27, there will be a 10% penalty applied to the quiz grade.

## 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

- **Financial Math Quiz, class participation, midterm and final term test:** The use of generative artificial intelligence tools or apps, including tools like ChatGPT and other AI writing or coding assistants, is prohibited. The knowing use of generative artificial intelligence tools, including ChatGPT and other AI writing and coding assistants for the completion of the above academic assessment may be considered an academic offense in this course.
- **Group project**
  - Students may use artificial intelligence tools for brainstorming purposes, but the final submitted assignment must be original work produced by students. In the event that any of the group assignment made use of Generative AI tools or ChatGPT, an appendix should briefly explain what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work.
  - Students may not copy or paraphrase from any generative artificial intelligence applications, including ChatGPT and other AI writing and coding assistants. Representing as one's own an idea, or expression of an idea, that was AI-generated may be considered an academic offense in this course.

## 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.

## Weekly Schedule

Session	Week of	Topic	Readings	Deliverables
1	Jan 8	Introduction to Corporate Finance Capital Budgeting Methods	Ch. 1 Ch. 7	
2	Jan 15	Estimating Cash Flows Capital Budgeting Decisions	Ch. 8	
3	Jan 22	Capital Budgeting – Risk & Return	Ch. 9	Jan 26: Financial Math Quiz
4	Jan 29	Cost of Capital	Ch. 13	Feb 2: Pre- Work
5	Feb 5	Capital Structure I – Choosing the Debt/Equity Mix	Ch. 15–16	
6	Feb 12	Capital Structure II – Limits to the Use of Debt	Ch. 17	
	Feb 19	Reading Week		
7	Feb 26	No Class This Week		Mar 1. Term Test
8	Mar 4	Dividend Policy	Ch. 19	
9	Mar 11	Valuation	Ch. 18	
10	Mar 18	Mergers & Acquisitions	Ch. 30	
11	Mar 25	Financial Analysis Refresher Financial Planning and Growth Working Capital Management	Ch. 2–3 Ch. 27–29	Mar 28: Group Report
12	Apr 1	Group Presentations (In-Class)		Group Presentations

**Please note that the last day you can drop this course without academic penalty is March 11, 2024.**



## 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>