

# Course Outline

<b>Course Code</b>	<b>RSM433 H1 S</b>
<b>Course Name</b>	Advanced Corporate Finance
<b>Term, Year</b>	Winter, 2024
<b>Course Meets</b>	L0101 Thursday 10am - 12pm (AB) L0201 Thursday 1pm - 3pm (WO) L0301 Thursday 3pm - 5pm (WO)
<b>Web page URL</b>	<a href="https://q.utoronto.ca/courses/340505">https://q.utoronto.ca/courses/340505</a>

## Instructor Details

Name	Email	Phone	Office Hours
Claire C��lerier	<a href="mailto:claire.celerier@rotman.utoronto.ca">claire.celerier@rotman.utoronto.ca</a>	416-978-6597	Fridays: 2pm – 4pm (RT474 or Zoom)

## Teaching Assistants

Section	Name	Email
L0101	Damian Celsi	<a href="mailto:damian.celsi@mail.utoronto.ca">damian.celsi@mail.utoronto.ca</a>
L0201	Su Yang	<a href="mailto:uoftsu.yang@mail.utoronto.ca">uoftsu.yang@mail.utoronto.ca</a>
L0301	Alsu Amirova	<a href="mailto:alsu.amirova@mail.utoronto.ca">alsu.amirova@mail.utoronto.ca</a>

## Course Scope, Mission and Learning Outcomes

This course has one goal: to provide you with a strong foundation in the principles of corporate finance and an opportunity to apply these principles to practical and managerial decisions. The financial landscape is rapidly evolving, as we are facing an unprecedented health and economic crisis. Many of the themes of Advanced Corporate Finance have special relevance today: the pros and cons of liquidity management and debt financing; the bankruptcy process; the costs of financial distress as firms restructure; the role of private equity; firm financing constraints and business cycles. Examining these issues will provide you with a holistic view of finance, capital markets, and the role of financial intermediaries.

We will use case studies to bridge the gap between rigorous finance theory and its applications to practical questions in corporate finance.

A deep understanding of the concepts of this course is useful beyond corporate finance, in general management, corporate strategy, management consulting, entrepreneurship, as well as investment banking and investment management.

## Course Prerequisites

Prerequisite: Rotman Commerce: [RSM333H1](#); Actuarial Science: [ACT349H1](#)

## Course Materials

The course adopts a flip learning approach. You will have to study the key concepts at home using lecture notes and videos posted on Quercus. You will test your understanding and progress through weekly cases. We will focus classes on discussing managerial application of these concepts in case discussions.

## Required Readings

The course material includes:

- **Lecture notes** on each lecture's key concepts
- **Videos** to introduce and discuss these concepts
- **Cases** that are available in the following course package on Harvard Business Publishing website (~CAD\$ 64): <https://hbsp.harvard.edu/import/1116950>. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

Note that the solution to cases is **not** posted online **for copyright reasons**.

## Electronic Course Materials

Lecture notes and videos are posted on Quercus.

Cases studies are available in the course package published on Harvard Business Publishing website.

These materials will cost a total of around CAD\$64.00. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

## Evaluation and Grades

Quizzes and Cases are due at 9AM on the indicated dates.

Work	Percentage of grade	Due Date
Class Participation/Attendance	20%	Ongoing
Case Write Ups	30%	
Case 1		Jan 18, 2023
Case 2		Jan 25, 2023
Case 3		Feb 1, 2023
Case 4		Feb 8, 2023
Case 5		Feb 15, 2023
Case 6		Feb 29, 2023
Case 7		Mar 7, 2023
Case 8		Mar 14, 2023
Case 9		Mar 21, 2023

Case 10		Mar 28, 2023
Case 11		Apr 4, 2023
Quizzes	10%	
		Jan 18, 2023
		Jan 25, 2023
		Feb 1, 2023
		Feb 8, 2023
		Feb 15, 2023
		Feb 29, 2023
		Mar 7, 2023
		Mar 14, 2023
		Mar 21, 2023
		Mar 28, 2023
		Apr 4, 2023
In Class Presentation	10%	TBD
Final Exam	30%	During Faculty of Art and Science Final Assessment Period

## Course Format

Advanced Corporate Finance focuses on three important managerial decisions, with a module devoted to each.

- **Module 1. Capital Structure: How should a firm finance its activities?**

Throughout the course, we will study firms wrestling with decisions about how to finance their activities. Financing involves choosing the right capital structure – the mixture of equity, debt, and other securities. We will consider how firms choose to finance ongoing operations, new projects and mergers and acquisitions. You will understand how market imperfections impact financing decisions.

- **Module 2. Valuation: How can we value firms?**

In Introduction to Corporate Finance, you learned to use the net present value rule to determine whether an investment was likely to increase shareholder value. In Advanced Corporate Finance, you will 1) investigate further how firms create value, 2) value firms with debt.

- **Module 3. How firms raise external funds?**

In this module, we will investigate how firms raise debt and equity, extending our analysis to small firms. We will see how financing constraints vary with and amplify business cycles.

# Expectations

## *Case Write Ups*

We will study 11 cases. For each case, you must deliver a case write up before class. We will take the 10 best ones to compute the final grade.

**Grading.** You will get the maximum number of points if you justify your answers and your reasoning is correct. Please note that clear, concise, and correct writing will also be considered in the evaluation of cases. You may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre ([studentlife.utoronto.ca/asc](http://studentlife.utoronto.ca/asc)) or one of the College Writing Centres ([writing.utoronto.ca/writing-centres](http://writing.utoronto.ca/writing-centres)). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

**Group Work.** You can work in groups of 1, 2 or 3 students for cases. 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.

## *In Class Presentations*

You will have to give once a **seven-minute presentation** in groups of 1, 2 or 3 students. The presentation will answer a question related to the case studied in class. You should also be ready to answer questions relative to your presentation.

The following grading scheme will be considered in grading the in-class presentation:

### **60%: Content**

**Relevance:** Are the ideas and concepts presented relevant and directly addressing the question or topic?

**Understanding:** Do the students demonstrate a thorough understanding of the concepts they introduce?

**Conceptual Depth:** Do the students refer to the most important and pertinent concepts related to the topic?

**Originality:** Do they make original statements or offer a new perspective on the question?

**Structure and Argumentation:** Is the reasoning well-structured, logical, and convincing? Is there a clear progression of ideas?

#### **40%: Format**

**Time Management:** Do the students manage their presentation time effectively, covering all key points without rushing or overextending?

**Visuals:** Are the slides clear, concise, and well-structured? Do they effectively complement and enhance the spoken content?

**Delivery:** Is the speaking clear, easy to understand, and engaging? Do the students use an appropriate tone, pace, and volume?

Please note that **clear, concise, and correct speaking** will be considered in the evaluation of your presentation. How well you communicate your ideas will be considered in the evaluation of the presentation. 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 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](#).

### *Class Participation*

I will judge your class participation based on the quality and the frequency of comments. I expect you to come to every class, be on time, and be prepared to participate. The teaching assistant will mark down each of your contributions during classes. **You are required to display your name card in front of you in every class** to facilitate our exchanges and the teaching assistant's mission. You are expected to use any electronic device in a professional way, not for shopping or chatting on social networks.

Participation grades will be assigned based on each comment during each session. You are expected to prepare thoroughly and make every effort to attend and participate in each class discussion. In order to benefit from the case method of instruction employed in this course, you must read and analyze each case before the appropriate class session. Thorough preparation before each session will allow you and your peers to consistently offer high-quality comments during the class discussions. It is important to understand that the class participation grade is intended not just to provide me with information about your preparation and understanding of the

assigned material and your persuasive abilities, but to provide you with an incentive to get involved in discussions and share your unique perspective.

Keep in mind that the participation grade is not only a function of the quantity of participation, but **the quality of participation**. You are encouraged to regularly contribute relevant facts, questions, interpretations, examples, terminology, frameworks, and alternative points of view during the case discussions. The assigned cases provide rich detail regarding a range of situations. The class discussions will provide a forum to consider a range of interpretations and analyses of these details.

The following questions will be considered in grading participation:

- Does the student arrive promptly for class, behave professionally and is ready to participate in discussions? This implies a **professional use of electronic devices**. If you intend to chat or shop online during classes, I will kindly ask you to sit in the back of the room not to disturb your classmates.
- Do the questions and comments move the discussion forward and contribute to a learning environment?
- Is the student prepared to offer relevant and current examples of facts, theories or concepts?
- Does the student take a defensible position on the recommended course of action when relevant? Are the arguments and answers to questions persuasive?
- Is the student able to communicate effectively? Are comments presented in a concise, compelling, and convincing manner?
- Is the student able to build upon and evaluate other comments? Does the student learn from and show respect for other speakers and their points of view?

Your discussion performance will be assessed on a scale from 0 to 3 following each class session based on the considerations above.

As your participation grade naturally reflects your cumulative and time-varying performance, I will only be able to provide you with meaningful feedback on your standing after a substantial number (1/2) of class meeting dates. I will send you my feedback at this time by email.

If the weight of participation in your final grade seems substantial, remember that your success in your future career relies a lot on how well you communicate with your colleagues. Thoughtful questioning, rigorous analysis, strong oral presentation skills, and the ability to critically evaluate alternative perspectives are vital skills that contribute to professional excellence.

## *Quizzes*

You will be expected to complete on-line exercises that are due the day of each session at 9am. The exercises will be open for approximately one week to accommodate your busy schedules. Each consists of a set of multiple-choice questions. The purpose of these exercises is to give you a stream of regular feedback on your progress. There will be 11 quizzes. I will take the 10 best ones to compute the final grade.

## *Final exam*

The final exam will be comprehensive and will cover all the material of this course, including cases. The final exam includes a new case and a set of quiz questions. The final exam is a three-hour exam. It is an open book exam and a non-programmable calculator is allowed, but no other electronic device.

## *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 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.

If you missed a quiz or a case, we will reweight the other cases/quizzes accordingly.

**Final Exam:** If you miss the final exam, you will need to petition your College Registrar to write a deferred exam.

## *Late Assignments*

All case write-ups and quizzes are due at the due date at 10 am. Late submissions will normally be penalized by 50% if the assignment is not received on the specified date, at the specified time. A further penalty of 50% 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

Use of generative AI in this course may be considered use of an unauthorized aid, which is a form of cheating. Students may not copy or paraphrase from any generative artificial intelligence applications, including ChatGPT and other AI writing and coding assistants, for the purpose of completing assignments in this course.

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.

## Weekly Schedule

Session	Date	Topic/Case
<b>MODULE 1: CAPITAL STRUCTURE</b>		
Introduction	Jan 11	<ul style="list-style-type: none"> <li>Introduction to the Course</li> </ul>
1	Jan 18	<ul style="list-style-type: none"> <li>Lecture: Capital structure in perfect markets</li> <li>Case: Apple, Einhorn, and iPrefs</li> </ul>
2	Jan 25	<ul style="list-style-type: none"> <li>Lecture: The cost of capital of a levered firm</li> <li>Case: Eaton Corporation: Portfolio Transformation and The Cost of Capital</li> </ul>
3	Feb 1	<ul style="list-style-type: none"> <li>Lecture: Debt and taxes</li> <li>Case: California Pizza Kitchen</li> </ul>
4	Feb 8	<ul style="list-style-type: none"> <li>Lecture: Financial distress</li> <li>Case: Restructuring JAL</li> </ul>
5	Feb 15	<ul style="list-style-type: none"> <li>Lecture: Pecking order theory</li> <li>Case: Molycorp: Financing the Production of Rare Earth Minerals (A)</li> </ul>
<b>MODULE 2: VALUATION</b>		
6	Feb 29	<ul style="list-style-type: none"> <li>Lecture: What creates value?</li> <li>Case: The Battle for Value, 2016: FedEx Corp. versus United Parcel Service, Inc.</li> </ul>
7	Mar 7	<ul style="list-style-type: none"> <li>Lecture: Fundamentals of valuation</li> <li>Case: Tesla: Financing Growth</li> </ul>
8	Mar 14	<ul style="list-style-type: none"> <li>Lecture: Mergers and acquisitions (1/2)</li> <li>Case: Loblaw Companies Limited – Acquiring Shoppers Drug Mart</li> </ul>
9	Mar 21	<ul style="list-style-type: none"> <li>Lecture: Mergers and acquisitions (2/2) – Private Equity</li> <li>Case: BCE Inc.: In Play</li> </ul>
<b>MODULE 3: CORPORATE FINANCING. HOW DO FIRMS RAISE EXTERNAL FUNDS</b>		
10	Mar 28	<ul style="list-style-type: none"> <li>Lecture: Raising debt</li> <li>Case: Williams, 2002</li> </ul>
11	Apr 4	<ul style="list-style-type: none"> <li>Lecture: Raising equity</li> <li>Case: Facebook, Inc: The Initial Public Offering (A)</li> <li>Course Overview</li> </ul>
FINAL	TBD	

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>