

Course Outline

RSM 333 H1S

Introduction to Corporate Finance

Summer 2021

Course Meets:

L0101	Tuesday 9 am – 11 am	Noémie Bucourt
L5101	Tuesday 5 pm – 7 pm	Zohair Alam
L0101	Thursday 9 am – 11 am	Noémie Bucourt
L5101	Thursday 5 pm – 7 pm	Zohair Alam
Tutorial	Tuesday 11am – 1pm	Zohair Alam
	Thursday 11 am – 1 pm	Noémie Bucourt

Noémie Bucourt

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Zohair Alam

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Course Scope and Mission

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 next 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 8)
- Mergers and Acquisitions (Session 9)

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 7)

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 10)

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.
- Calculate a firm's sustainable growth rate and identify factors affecting this measure.
- 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.

Course Prerequisites

Prerequisite: [RSM219H1](#), [RSM332H1](#)

Exclusion: [ACT349H1](#), [ECO359H1](#)

Required Technology

For Summer 2021, this course will be conducted entirely online. To participate fully and to complete the course successfully, you must ensure you have a computer with a working webcam, microphone and reliable access to an internet connection. For further details, please visit this link: [Recommended Technology Requirements for Remote/Online Learning](#)

Required Readings

Ross, S.A., R.W. Westerfield, J.F. Jaffe, G.S. Roberts and H. Driss, **Corporate Finance, 8th Canadian Edition**, McGraw-Hill Education, 2019. 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: 126033984X \$189.95

Digital Only Connect, 4-year access: 9781260339420 \$119 list

Digital Only Connect, ebookless (180-day access): 9781260339413 \$60 list

URL Link for the eBook: <https://connect.mheducation.com/class/r-333-rsm-333>

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he, they, or she has command of the course materials.

Please submit deliverables by 11:59 PM on the date listed below.

Work	Weight	Due Date(s)
Class Attendance Short Quiz	7%	Ongoing, after each class
Quercus Quiz (6% each, best 5 of 6)	30%	Quiz 1: July 12 Quiz 2: July 19 Quiz 3: July 26 Quiz 4: Aug 02 Quiz 5: Aug 09 Quiz 6: Aug 16
1 Video Quiz	8%	Aug 02
2 Group Assignments (Prework, 2 Reports)	30%	Pre-Work: Jul 12 (2%) Report 1: July 26 (14%) Report 2: Aug 11 (14%)
Final Test	25%	TBD

Course Format and Expectations

The course format will be a mixture of asynchronous materials (some posted ahead, some after class) and synchronous class time. Each week may vary slightly. All synchronous components will begin precisely at the stated class time. Students should plan for a 2-hour duration. Asynchronous material might be posted ahead of class. You are expected to review them before attending.

Assessment of students will consist in several quizzes in different formats and group assignments.

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 Facebook) is a violation of copyright, and depending on the circumstances may be a violation of academic integrity.

Video Quizzes (Individual)

There will be one short video quiz related to the course material worth 8%. The purpose of the quiz is to help develop your ability to speak about financial topics and communicate clearly. Increasingly, the ability to communicate well by video is a key professional skill as interviews and meetings are conducted online. We will use Communicado software for this quiz. Further details will be posted on the course website.

There will be a practice quiz posted a week before the video quiz will be uploaded. You are encouraged to take it to practice answering this type of quiz and using the technology.

Quercus Quizzes (Individual)

Individual quizzes will be posted on Quercus, every Friday after the tutorial, and will be due on the following Monday at 11:59pm. Each quiz will cover both posted materials on Quercus and topics covered during the synchronous lecture, for the two past lectures that occurred during the current week. Marks for best 5 of 6 quizzes will be counted towards the final grade (each worth 6% of the final grade for a total weight of 30%).

Group Assignments

There will be two written group assignments. Students will be required to work in teams. You will be asked to create groups of 4-5 students, all registered in the same section. You will work with the same group for the two group assignments throughout the semester.

To help you prepare and work more effectively, there will be a short pre-work assignment due on July 12 (worth 2% of the final grade). There will be two written group assignments to be submitted on July 26 and Aug 11, each worth 14% of the final grade. More information about the group work will be posted on Quercus.

Working as a team is challenging; this is true both in the real world and in your academic classes. However, learning to work together in teams is an important aspect of your education and preparation for your future careers. You are encouraged to review the teamwork resources available to all Rotman Commerce students at <https://rotmancommerce.utoronto.ca/teamwork->

[resources](#) while navigating these challenges, but keep in mind that supports are also available for when you think you may need extra help.

New in the 2020-2021 academic year, the Rotman Commerce Centre for Professional Skills (RC-CPS) will offer appointments with Teamwork Mentors for any teams encountering challenges in their teamwork. Some possible reasons you might book an appointment with a Teamwork Mentor include:

- Team members have identified constraints on their time, work or accommodations they require that conflict with necessary timelines for the team.
- Teams are unsure how to divide their workload for a team project.
- Teams are concerned about how to integrate the individual contributions of each member and how to ensure team members are contributing equally.
- Teams are concerned about how to ensure all group members are aware of academic integrity guidelines (e.g. properly attributing sources) and follow them.
- Teams would like to be able to communicate more effectively with each other, particularly when navigating a remote work academic environment.

To book a meeting with a Teamwork Mentor, send an email to:

rotmancommerce.teamworkhelp@utoronto.ca with the course code (e.g. RSM100) and team number (if available) in the subject line of the email. Any member of the team may reach out individually to book an appointment, but we also encourage teams to book their appointments as a team. You will normally receive a response within 24-36 hours, but note that during busy times of the semester the waiting period may be longer. Be proactive in booking your meeting, and do so as soon as challenges arise.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, you should consult with your Accessibility Advisor about this course. For considerations pertaining to teamwork and accessibility, please see information in the section on Accessibility Needs below under the Policies and Procedures heading.

Please note that clear, concise, and correct writing will be considered in the evaluation of Assignments. 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) or one of the College Writing Centres (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.

Class Attendance Short Quizzes

The objective of these quizzes is to incentivize and reward class attendance. After each class, a short quiz will be posted that will be available for 24 hours after the class ends. These will be short quizzes, and will typically take less than 5 mins for every student to complete. Students who attend lectures and pay attention will not have any difficulty obtaining full marks in all these quizzes.

Tutorials

Tutorials will be held bi-weekly, on Tuesdays and Thursdays at 11 am. Tutorial problems will be assigned in advance. During the tutorial, you will be shown how to approach 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. More information about tutorials will be posted on Quercus.

Final Term Test

The final term test will be comprehensive, covering all material in the course. The format will be the same as the Quercus Quizzes. Further information will be posted in Quercus.

Electronic Course Materials

This course will be using the following electronic course materials:

- Communicado, FactSet, Connect (optional), WRDS

Required software will be available at no additional charge. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

Credit / No-Credit Option in Rotman Commerce

You may request to Credit/No-Credit an RSM course in the following cases only:

- The course will not be used for any specialist or focus, including the 8.0 RSM FCE requirement.
- The course does not have a group work component.

If you wish to request credit/no-credit for an RSM course, you must contact a Rotman Commerce academic advisor by the drop deadline for the current term. Final approval is on a case-by-case basis with the permission of the Director, Rotman Commerce.

Weekly Schedule

The following schedule is subject to modification as the course progresses. We will not be following the textbook closely. Chapters are provided for reference. Class notes and videos are key. Please submit deliverables by 11:59 PM on the date listed below.

Session	Day of	Topic	Readings	Deliverables*
1	Jul 06	Introduction to Corporate Finance Capital Budgeting Methods	Ch. 1 Ch. 7	Assignment 1 Handed Out
2	Jul 08	Estimating Cash Flows Capital Budgeting Decisions	Ch. 8	
	Jul 12			Quercus Quiz 1 (Financial Math) Assignment 1 Pre-Work
3	Jul 13	Capital Budgeting – Risk & Return	Ch. 9	
4	Jul 15	Cost of Capital	Ch 13	
	Jul 19			Quercus Quiz 2
5	Jul 20	Capital Structure I – Choosing the Debt/Equity Mix	Ch. 15 Ch. 16	Practice Video Quiz Uploaded
6	Jul 22	Capital Structure II – Limits to the Use of Debt	Ch. 17	
	Jul 26			Quercus Quiz 3 Assignment 1 Due
7	Jul 27	Dividend Policy	Ch. 19	Video Quiz Uploaded
8	Jul 29	Valuation	Ch. 18	Assignment 2 Handed Out
9	Aug 03	Mergers & Acquisitions	Ch. 30	Quercus Quiz 4 Video Quiz
10	Aug 05	Financial Analysis Refresher Financial Planning and Growth	Ch. 2 Ch. 3 Ch. 27	
	Aug 09			Quercus Quiz 5
11	Aug 10	Working Capital Management Course Wrap-Up	Ch. 28 Ch. 29	

	Aug 11			Assignment 2 Due
12	Aug 12	Review of Material		
	Aug 16			Quercus Quiz 6
		FINAL TEST (Aug 18 – Aug 30)		

*In-class participation activities occur on an ongoing basis
Aug 02: last day to drop the course

Policy and Procedure

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.

Missed Tests, Quizzes and Assignments (Including Final Term Test)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness, required travel) may request special consideration.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office **on the date** of the missed course deliverable, e.g. missed test, final assessments, assignment or class (in the case of participation marks).
2. Complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation this may include either your Absence Declaration on [ACORN](#) (please read the instructions on how to use the Absence Declaration in ACORN) or [Verification of Student Illness or Injury form](#) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable.

Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Note that documentation must clearly establish that you were ill, traveling for essential purposes, or had other circumstances that prevented you from attending on the date in question. Reports after-the-fact are not sufficient.

Students who present appropriate documentation will have the opportunity to take one (1) make-up quiz (Quercus or video) **during Aug 26-30**. The grade from the quiz will replace the grade in all missed quizzes. Students who miss both the original assessment and the makeup quiz for valid documented reasons will have their grades reallocated to their final term test.

Late Assignments

All assignments are due on the date and time specified on Quercus. Late submissions will normally be penalized by 20% if the assignment is not received by the specified date, at the specified time. A further penalty of 20% will be applied to each subsequent day. For example, if a quiz is due at midnight EST on July 12, if you submit the quiz after July 12 and before midnight EST on July 13, there will be a 20% penalty applied to the quiz grade.

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.

Re-mark Requests

A student who believes that an individual item of term work has been marked incorrectly (or that the grade has been miscalculated), may ask for a re-evaluation. Such re-evaluation may involve

the entire piece of work and can result in a raised mark, a lowered mark, or no change at all. Re-mark requests or requests to view the final test must be submitted within one week of the mark being posted. Requests received after this time may not be considered.

Accessibility Needs

The University of Toronto is committed to accessibility. 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 contact Accessibility Services as soon as possible at accessibility.services@utoronto.ca or studentlife.utoronto.ca/as. It is important that you get in touch with them as soon as possible because the process for obtaining your accommodation letter may take up to several weeks. 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.

If you're interested in helping make this course more accessible, consider volunteering to be a note taker. Accessibility Services needs dependable volunteer note takers to assist students living with a disability to achieve academic success. All you have to do is attend classes regularly and submit your notes consistently. Follow these steps:

1. Register online as a **Volunteer Note Taker** at <https://clockwork.studentlife.utoronto.ca/custom/misc/home.aspx>
2. Follow the link that says "Volunteer Notetakers"
3. Select your course and upload a sample of your notes
4. Once you have been selected as a note taker, you'll get an email notifying you to upload your notes.

If you have questions or require assistance, please email as.notetaking@utoronto.ca. Volunteers may receive co-curricular credit or a certificate of appreciation.

For courses with deliverables that require you to work in teams, please note the following. If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, requests for extensions impact everyone in the group. As a result, requests for late submissions of any component of teamwork will require compelling reasons, advance notice, and must work for everyone in the team. You are encouraged to discuss with your course instructor, Accessibility Advisor, and other team members what you need in order to successfully complete your coursework. Additionally, the Rotman Commerce Centre for Professional Skills offers Teamwork Mentors (see section above) who can help you and your team discuss how to support you effectively and how to develop a work plan that meets the needs and constraints of all team members.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships 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

(governingcouncil.utoronto.ca/policies/behaveac.htm) 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 following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question 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 resources such as 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 help.ic.utoronto.ca/category/3/utmail.html.

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.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to q.utoronto.ca and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ACORN, wait 48 hours.

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 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.

FIPPA Language

Notice of video recording and sharing (Download and re-use prohibited)

This course, including your participation, may be recorded on video and may be available to students in the course for viewing remotely and after each session. Course videos and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation, and are protected by copyright. Do not download, copy, or share any course or student materials or videos without the explicit permission of the instructor. For questions about recording and use of videos in which you appear please contact your instructor.