1. Course Information:

Instructor: Jason Tome (jason.tome@utoronto.ca)

Office hours: Online by appointment only

Lecture: Wednesdays; 2pm – 5pm online via BB Collaborate

Teaching Assistant: Serena (Seryeong) Ahn (serena.ahn@mail.utoronto.ca)

Office hours: TBD (By Appointment)

2. Course Description

This course introduces students to analysis of financial planning and management with emphasis on capital structure, dividend payout policies, cost of capital, capital budgeting, risk and other special topics. The course serves as a framework for understanding a broad range of corporate financial decisions.

3. Course Objectives

Upon successful completion of this course, students will be able to:

• Explain financial markets and functions of corporate finance.
• Calculate and Interpret time value of money.
• Estimate bond prices and identify factors that affect bond prices.
• Estimate the value of a common stock.
• Evaluate if the stock is underpriced or overpriced.
• Calculate different components of cost of capital.
• Understand and evaluate capital budgeting decision rules and explain how real options affect these decisions.
• Classify and distinguish various types of risk and their relation to portfolio choice
• Describe and calculate a firm’s capital structure.
• Interpret how leverage and firm value are related.
• Explain how a firm’s dividend policy is set and how it affects firm value.
• Understand leasing decisions.
4. Course Textbook & Calculator

Title: Fundamentals of Corporate Finance (2019)

Edition: 10th Canadian Edition


Calculator: The use of a hand-held financial calculator that has Time Value of Money functions is strongly recommended for this course. I recommend the Texas Instruments BAII Plus, as this is used in the textbook and lectures to demonstrate examples. The use of any other non-programmable calculator will also be permitted for quizzes and exams.

5. Evaluation

a) Term Test #1 and Term Test #2 (25% each, for a combined total of 50%)
   a. Questions: Combination of Short Answer & Multiple Choice Questions.
   b. Duration: 2 hours will be allotted.
   c. Date / Time / Location: See “Course Schedule” section below.
   d. Important: See “Exam Rules” section below.

a) Final Exam (50%)
   a. Questions: Combination of Short Answer & Multiple Choice Questions.
   b. Duration: 2 hours will be allotted.
   c. Date / Time / Location: Will be announced once they are available.
   d. Important: See “Exam Rules” section below.

6. Email Policies

a) Utilize @mail.utoronto.ca email addresses only.
   • For privacy reasons, students must use their U of T email accounts to contact the Instructor. The Instructor will not respond to emails from other emails (i.e. gmail, yahoo, rogers, etc.).

b) “Subject Line” must include the course number.
   • The subject line of emails must contain the course number
   • The Instructor teaches different courses and cannot properly respond to questions if he does not know which course you are enrolled in.
7. Exam Rules

- All exams (i.e. Test 1, Test 2, and Final Exam) are closed book examinations.
- Dictionaries are not allowed into the examinations.
- Formula sheets will be provided for each exam.
- Only non-programmable calculators will be allowed into the exams. If you are unsure, please ask the Instructor to check your calculator.
- Bring student identification (i.e. ID cards) to exams.
- Nothing is to be on/at one’s desk during an exam except pencil, eraser, non-programmable calculator and the individual’s student card.
- Do not wear caps / hats to the exams.
- Do not bring electronic devices to the exams.
- Students are required to complete all components of this course. There are no exceptions to this. Extra assignments to improve grades will not be allowed.
- Exams may be scored using a special program which examines the answer sheets for unusual coincidences in the pattern of answers given which may be indicative and used as supporting evidence of cheating.
- Grades will not be adjusted on the basis of need. It is important to monitor your performance in the course. Remember: You are responsible for your grades in this course.
- There are no make-up term tests. However, if you miss a term test, and you can provide me with one of the following: a U of T Verification of Illness or injury form (www.illnessverification.utoronto.ca), or an Accessibility Services letter, or a letter from your college registrar about personal matters interfering with your studies, by the day after the term test at the latest, your missed term test weight will be shifted to the final exam (i.e. if you missed a 20% term test, your final exam will be worth 60%). This “shifting” may be done after comparing and adjusting the class average of the missed test and final exam to ensure fairness to all students. You will be informed of that adjustment should it happen.
- There will be ONE make-up final exam arranged by Faculty of Arts and Science directly.
## 8. Course Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>2020-09-16</td>
<td><strong>Lecture #1</strong>: Introduction to Corporate Finance (Chapter 1), Time Value of Money (Chapter 5), and How to Value Bonds &amp; Stocks (Chapter 6)</td>
</tr>
<tr>
<td>2020-09-23</td>
<td><strong>Lecture #2</strong>: Accounting Statements &amp; Cash Flow (Chapter 2), Financial Planning &amp; Growth (Chapter 3), and Net Present Value &amp; Other Investment Rules (Chapters 7)</td>
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<tr>
<td>2020-09-30</td>
<td><strong>Lecture #3</strong>: Net Present Value &amp; Capital Budgeting (Chapter 8), and Risk Analysis, Real Options, and Capital Budgeting (Chapter 9)</td>
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<tr>
<td>2020-10-07</td>
<td><strong>Term Test #1</strong> (During Lecture)</td>
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<tr>
<td>2020-10-14</td>
<td><strong>Lecture #4</strong>: Risk and Return: Lessons from Market History (Chapter 10), and Risk and Return: The Capital Asset Pricing Model (Chapter 11)</td>
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<tr>
<td>2020-10-21</td>
<td><strong>Lecture #5</strong>: Risk, Return, and Capital Budgeting (Chapter 13)</td>
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<tr>
<td>2020-10-28</td>
<td><strong>Lecture #6</strong>: Corporate Financing Decisions and Efficient Capital Markets (Chapter 14)</td>
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<tr>
<td>2020-11-04</td>
<td><strong>Lecture #7</strong>: Capital Structure: Basic Concepts (Chapter 16), and Capital Structure: Limits to the Use of Debt (Chapter 17)</td>
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<td><strong>READING WEEK – NO LECTURE</strong></td>
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<tr>
<td>2020-11-18</td>
<td><strong>Term Test #2</strong> (During Lecture)</td>
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<tr>
<td>2020-11-25</td>
<td><strong>Lecture #8</strong>: Valuation and Capital Budgeting for the Levered Firm (Chapter 18)</td>
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<tr>
<td>2020-12-02</td>
<td><strong>Lecture #9</strong>: Dividends and Other Payouts (Chapter 19)</td>
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<tr>
<td>2020-12-09</td>
<td><strong>Lecture #10</strong>: Leasing; Options and Corporate Finance (Chapters 22 &amp; 23)</td>
</tr>
<tr>
<td>TBA</td>
<td>Final Examination</td>
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</tbody>
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