



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM433H1

Advanced Corporate Finance

Winter 2017

Course Meets: L0101-Monday/4-6pm/WO20; L0201-Monday/2-4pm/WO20; L0301-Tuesday/4-6pm/WO20

Instructor: Claire Célérier. RT474 (If no office on campus, please put *Off Campus*)
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Office Hours: Wednesdays, 2pm-4pm

COURSE SCOPE OF MISSION

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, in the wake of the global financial crisis. Many of the themes of *Advanced Corporate Finance* have special relevance today: the pros and cons of 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.

Case studies and small problems will be used 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.

Target audience

The course is suited for those who wish to obtain a deeper understanding of the theory underlying corporate finance in order to apply it sensibly to practical situations. The course is targeted to students who wish to pursue careers in consulting, financial institutions, and investment banking, and for those planning to work in corporations, especially in the finance, planning, and treasury areas.

Course Prerequisites

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

Required Readings

Course Slides and relevant case studies. **The cases** can be downloaded from the Harvard Website for a small charge (~\$4 each) A link to the cases will be posted on Blackboard but you will also need to register on the HBS site. Details will be provided during the first lecture.

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 or she has command of the course materials.

Work

Participation, Preparedness and Professionalism
Quizzes
Mid Term Exam
Final Exam

10%
20%
25%
45%

Due Date

Ongoing
Before each session
To be announced
During Faculty of Arts & Science
final Exam period

COURSE FORMAT AND EXPECTATIONS

Course Structure

Advanced Corporate Finance focuses on four 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. You will extend your knowledge on the weighted average cost of capital (WACC) method.

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.

Weekly Schedule

Session	Date	Topic
1	January 9	Introduction <i>Basic Tools: NPV, Financial Statements and Information Asymmetries</i>
2	January 16	Module 1: Capital Structure. How should a Firm Finance its Activities? <i>Financing Choices with Perfect Markets</i>
3	January 23	<i>Debt and Taxes</i>
4	January 30	<i>Cost of Financial Distress</i>
5	February 6	<i>Capital Structure with Information Asymmetries</i>
6	February 13	<i>Pecking order theory of capital structure</i>
7	February 27	Module 2: Valuation. How Can We Value Firms? <i>What Creates Value?</i>
8	March 6	<i>Valuation Techniques</i>
9	March 13	<i>The Cost of Capital</i>
10	March 20	<i>Application to M&A</i>
11	March 27	Module 3: Corporate Financing. How do Firms raise External Funds? <i>Credit Constraints and Business Cycles</i>
12	April 4	<i>Raising Equity - Course Overview</i>
Final Exam	TBA by FAS	

Expectations: Feedback for You

Quizzes

You will be expected to complete on-line exercises that are scheduled at the end of each session. The exercises will be open for approximately one week to accommodate your busy schedules. Each consists of a set of multiple-choice questions. The primary purpose of these exercises is to give you a stream of regular feedback on your progress. The secondary purpose of these exercises is to prepare you to the next session. Questions will mostly concern the previous session but some questions will also concern the slide content of the next session.

Midterm Examination:

The midterm exam will cover session 1 to session 6, including material from lectures, assigned readings, and cases. You will be asked to apply judgment and principles, as well as the tools and techniques of financial analysis. In order to ensure fairness across all sections of the course, the midterm will be scheduled outside of lecture and tutorial time, at a common date available time for all students (based on students' registration information), so that everyone writes the same test at the same time. The midterm time will be confirmed at the beginning of term.

Final examination:

The final exam will be comprehensive and will cover material from lectures, assigned readings, and cases.

For both the midterm and the final examination, you are allowed to bring a non-programmable calculator and a crib sheet (both sides). The crib sheet can include anything you like, including definitions or examples seen in class.

Feedback for Us

We invite your comments and input. In particular, if you find errors, omissions or confusing statements in the assignment questions, case studies, readings, or any other course materials, please contact the professor. If you have comments and suggestions about the overall course design or other matters, they are welcome. You will have to fill a questionnaire just after the midterm exam, thank you for your feedback.

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

Midterm exam: The final exam will count for 70% of the final grade for the students who cannot attend the midterm exam

Final exam: A make-up exam will be organized for students who cannot attend the final exam.

Late Assignments

All assignments are due at the beginning of class on the date specified in the course outline. Late submissions will normally be penalized by 25% if the assignment is not received on the specified date, at the specified time. A further penalty of 25% 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.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

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 UofT 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

<http://www.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 UofT 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 UofT 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 the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo 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.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at <http://www.portalinfo.utoronto.ca/content/information-students> and review the Frequently Asked Questions.

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 (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard 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 anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.