

University of Waterloo
Department of Economics
Econ 371 – Section 001
Business Finance 1
Sp 2016

Time and location: 11:30-12:50 MW AL 208

Instructor and T.A. Information

Instructor: Olivia Mesta

Office: HH 221

Office Phone: 519 888 4567 ext 36559. Please e-mail rather than leaving a voice mail for faster communication.

Office Hours: Wednesdays between 10:00 – 11:20 am or by appointment.

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T.A. information:

Course Description

The course focuses on investment decisions by companies and individuals introducing major players in financial markets and types of financial instruments traded and valued by investors. It offers the general framework of financial landscape by discussing the role of financial instruments and institutions in the economy. This course will introduce how firms make investment decisions and how they finance their investments. The goal is to understand financial markets and investment strategies. The understanding of the most important financial problems would lead to strategic planning and analytic thinking of possible solutions. Today's financial decisions are critical for the successes of the businesses in the future. This course will illustrate the importance of financial decisions and help students develop knowledge on financial markets and skills applicable to financial decision making processes within businesses.

Course Goals and Learning Outcomes

Upon successful completion of this course, students will have the knowledge and skills to:

- *Explain why maximizing market value is the logical financial goal of the corporation.*
- *Describe the basic structure of mutual funds, pension funds, banks, and insurance companies.*
- *Calculate and interpret some key measures of firm performance, including economic value added (EVA), and rates of return on capital, assets, and equity.*
- *Calculate present and future values of streams of cash payments.*
- *Explain what a yield curve is and why expected short-term interest rates affect its shape.*
- *Interpret price-earnings ratios.*
- *Identify the cash flows properly attributable to a proposed new project.*
- *Use sensitivity, scenario, and break-even analyses to see how project profitability would be affected by an error in your forecasts.*
- *Explain why diversification reduces risk.*
- *Distinguish between unique risk, which can be diversified away, and market risk, which cannot.*

Required Text

- **Fundamentals of Corporate Finance, 5th Canadian Edition | 978-0-07-040089-4**
e-Text: ISBN-13: 9780071094290, ISBN-10: 0071094296
Print: ISBN-10: 0-07-040089-X, ISBN-13: 978-0-07-040089-4

Author(s): Brealey, Richard; Myers, Stewart; Marcus, Alan; Maynes, Elizabeth; Mitra, Devashis
Publisher: McGraw-Hill Ryerson Ltd. Canada

- NOTE: You may choose between the print version and the e-book version (called "CONNECT") of the textbook; i.e. you do not require both.

To access CONNECT (the e-book and online resources), go to the following web address and click the "register now" button: <http://connect.mheducation.com/class/o-mesta-spring-2016>. The online CONNECT resources come bundled with the print version of the textbook if purchased through the bookstore.

- Required Technology: iClicker
- Course Website and Information Updates: The course will be supported in Learn, and students are responsible from checking LEARN frequently to receive instructions for upcoming classes. Any changes will be noted in announcements on the course home page.

Please note that the textbook is placed in the reserve at Dana Porter Library. Students are welcome to use the reserved book in the library. There is a link in LEARN so that students can reach to their reserves from there. The link is called "get course reserves" and located under library resources on the main course page on LEARN.

Course Requirements and Assessment

Assessment	Date of Evaluation (if known)	Weighting
i>Clicker and in class Participation Marks	Every class except exams	10%
Exam 1	June 1, 2016 Week 5, during class time, location TBA	25%
Exam 2	July 6, 2016 Week 10, during class time, location TBA	25%
Final exam	Scheduled by registrars office	40%
Total		100%

i>clicker and participation marks

Effective communication consists of 3 main components: active listening skills, the ability to think critically, and the ability to effectively communicate ideas in groups and teams. These components will be developed in class and evaluated through students' participation in class. Participation is highly valued. Verbal contributions that add value will be noted by the instructor.

Students are responsible for buying a clicker (first generation clickers or the new version of clickers both work), bringing it to every class and ensuring that the batteries work. I will not loan out clickers if students forget to bring them. Class participation will begin in second week of classes on May 9, 2016 and will not include the days of Exams. Each 80 minute-class is considered as one clicker session that is worth 5 points: 2 points are given for attending and answering 75% of the questions; 3 points are for answering any three questions correctly. The 7 lowest clicker session scores will not count to allow for legitimate reasons to miss the class such as a conflict with an exam scheduled outside of its class time or illnesses. If you miss more than 7 days, you will need to bring official documentation for every day that you missed the class (including the 7 days and the rest) in order to qualify for a consideration of shifting the weight. If you have documented and verified official reasons for each of the days you missed class

(including the 7 days and the rest), the weight of the missed clicker sessions will be applied to final exam. No shifting of the weight will be considered if the student misses both midterm exams. The excuses for each day must be submitted to the instructor within 3 days of absence. Students cannot make arrangements at the end of the term bringing medical notes or excuses to cover all the days missed. The policy cannot be abused by using 7 days first with non-documented reasons and then bringing excuses for additional days. A consideration for missed clicker sessions will only be given in the case of illness or emergency reasons. Such excuses as prior personal travel plans and extra-curricular commitments are not legitimate reasons. If you were ill, you must get UW Verification of Illness Form (the only acceptable document) from the day of absence and submit it within 3 days of absence. Students cannot make arrangements at the end of the term bringing medical notes or excuses to cover all the days missed during the term. If a student has an ongoing issue that prevents them from attending classes regularly, then the student should bring official documentation stating their condition at the beginning of the term in order to shift the weight.

Impersonation (using your absent friend's clicker to record their answers) can result in a suspension penalty.

You must register your i>clicker in order to receive participation credit. I cannot match your answers to your name unless you register your i>clicker to your name using UW internal registration link. Please see instructions below.

Registering your i>clicker:

- In your LEARN course website under Course Materials > the Content area, there is a link titled "iClicker Registration". Click this link to go to the UW iClicker Registration page. Here you will find an input box for new clicker ID registrations, and a list of clicker IDs you have already registered with the iClicker company. You can also remove an unwanted clicker ID on this page as well. Images on the page show you where to find your clicker ID on the back of your clicker.
- Registration is only needed once. A single registration will work for all your clicker courses and all terms.
- If you replace your clicker then register the new clicker ID number in the same manner as above.
- Your registration on official clicker webpage is not going to work for our purposes. Please use the UW internal registration listed above for registering your i>clicker.
- The clicker ID number is printed on the back of the clicker near the bottom, sometimes in very small type. An example is 12873CAB. Other numbers on the back like T24-RLR13 or 6495A-RLR13 are not clicker IDs.
- If your clicker ID has worn off, then take your clicker back to the textbook store and the staff will identify it. Clicker IDs never use the capital letter O (Oh) or lowercase letter L, but the similar looking numerals 0 (zero) or 1 (one) may be part of your Clicker ID.
- FAQ for students about clickers can be found on the following link:
<http://www.math.uwaterloo.ca/~pkates/CTE/clickers/clicker-student-faq.html#faq-register-what>

Exam 1 and 2

Exams are going to be administered during class time. Locations will be announced on LEARN before the exam date. Exam 1 and 2 are not cumulative.

Final exam

Final exam is scheduled by the registrar and it is cumulative. It will emphasize material covered in lectures and in the text book. The final exam period for the Spring term is in August. Students are expected to be available during this time. Travel plans are not acceptable grounds for granting an alternative final examination time.

<http://uwaterloo.ca/registrar/final-examinations/examination-regulations-and-related-matters>

Course Policies

Communication

I will be available during the office hours. You can also talk to me after class. I will check e-mails regularly during the day. You should not expect to hear from me in evenings or weekends.

- Please use emails for administrative matters only. I will be available during office hours, or by appointment, to discuss course material.
- All e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student's own UWaterloo e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from an UWaterloo account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.
- Electronic devices – including electronic dictionaries – are NOT permitted in exams. The only exception is a standard (i.e. non-programmable) calculator.
- Announcements, grades, lecture slides, information on exams, teaching assistants assigned to this section of this course, and other course materials will be posted on to LEARN. Check LEARN daily. Any changes and critical information will be posted on LEARN. You are responsible for making yourself aware of any changes made to the course by checking LEARN daily.

Examination Policy

Exam papers must be submitted in whole and on time in the exam room. Exam papers

- (a) not submitted on time,
 - (b) submitted with missing pages,
 - (c) submitted elsewhere, with the exception of students with permission to write in the Assess Ability Office,
 - (d) not received at all
- will receive a grade of zero regardless of the reason.

It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their sections. Students writing exams in the wrong section are considered not writing

exams at all and will receive a zero mark.

Missing a Midterm Exam

Missing a midterm will automatically result in a grade of zero for that midterm. A consideration for missed exams will only be given in the case of illness or emergency reasons. Such excuses as prior personal travel plans and extra-curricular commitments are not legitimate reasons.

If you were ill, you must get UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed midterm exam to the final exam. The illness form must be obtained the day of the exam and submitted within 3 days of the exam. This remedy is a privilege and not a right. No additional assignments or work will be assigned to improve the marks. Students will receive a mark of zero on a missed test without the UW Verification of Illness Form. The midterm exam schedule has been set and will not be changed.

- You must write at least one of the two midterm exams to pass the course.
- No deferred final exam will be provided for students who missed all the exams (including the final exam) in this course.

Course Modification Warning

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her UWaterloo email and course website on LEARN daily during the term and to note any changes.

Week	Topic	Readings Due
1	Welcome and Course Overview Ch. 1: Goals and the Governance of the Firm	Ch. 1, Ch. 2
2	Ch 2: Financial markets and institutions Ch 4: Measuring Corporate performance	Ch. 4
3	Ch 4: Measuring Corporate performance	Ch. 4
4	Ch 5: The time value of money	Ch. 5
5	Ch 6: Valuing bonds EXAM 1	Ch. 6
6	Ch 6: Valuing bonds Ch. 7: Valuing stocks	Ch. 6, Ch. 7
7	Ch. 7: Valuing stocks	Ch. 7
8	Ch. 8: Net Present value and other investment criteria	Ch. 8
9	Ch. 11: Intr. to risk, return and opp. cost of capital	Ch. 11
10	Ch. 12: Risk, Return and Capital budgeting EXAM 2	Ch. 12
11	Ch. 12: Risk, Return and Capital budgeting Ch. 9: Using discounted cash flow analysis to make investment decisions	Ch. 12, Ch. 9
12	Ch. 9: Using discounted cash flow analysis to make investment decisions Ch. 10: Project analysis	Ch. 9, Ch. 10

Please note that the schedule above is tentative. It is subject to change according to the pace of the lectures. The instructor reserves the right to modify the course content by adding or removing any chapters or concepts from the text book or from outside of the text book.

Electronic Device Policy

Cell phones, pagers, and other electronic devices must be either turned off or muted during classes. Laptops are permitted in class for note-taking and in-class activities only. Students using laptops in class for other purposes may be asked to leave the classroom. Consistent abuse of the laptop policy in class will negatively affect the participation grade.

Attendance Policy

Attendance is based on class participation measured via clickers. Please see the policy on clickers above.

Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71>)

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70>), Section 4.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72>).

Other sources of information for students:

[Academic Integrity website \(Arts\)](https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour)

<https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour>

[Academic Integrity Office \(UWaterloo\)](https://uwaterloo.ca/academic-integrity/)

<https://uwaterloo.ca/academic-integrity/>

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services](https://uwaterloo.ca/disability-services) office (<https://uwaterloo.ca/disability-services>), located on the first floor of the Needles Hall extension (NH 1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

I wish you a productive Spring term!

Olivia Mesta