

Economics 371
Business Finance 1
Fall 2022, UNIVERSITY OF WATERLOO

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| Instructor | Arash S. Dahaj, PhD Office: M3 2018, Email: arash.soleimanidahaj@uwaterloo.ca |
| Office hours | See <i>LEARN</i> |
| Classes | Lectures: Sec 001: 10:30-11:20 MWF, RCH 110 Sec 002: 11:30-12:20 MWF, RCH 110 |

Overview of the course:

The course explores decisions faced by managers of firms. In particular, decision-makers must determine which long-term real investment opportunities to exploit. Once undertaken, managers must decide how to finance the projects, for example, by debt or equity. The course develops both the conceptual framework and the tools required for these decisions. The course assumes prior familiarity with probability, expected values, and variance.

Course Learning Outcomes

Upon completion of this course, students should be able to:

- Value a series of many cashflows using interest and discount formula
- Identify nominal rate of interest and real rate of interest in inflated economic conditions
- Apply formula to value different systems of repeated cashflows, including annuities, Annuities Due, and perpetuity.
- develop loan amortization schedules
- define and understand the fundamental features and elements of fixed-income instruments.
- use financial models to value fixed-income instruments.
- explain what a yield curve is and plot the yield curve using zero-coupon bond yields
- define and understand the fundamental features and elements of equity instruments
- use financial models to value equities instruments.
- Use capital budgeting techniques to evaluate profitability of future projects.

Textbook and other Materials

Course notes and complementary slides, practice problems, etc. can be accessed through LEARN site

Optional Textbooks and material:

- Jonathan Berk, Peter Demarzo, Jarrad Harford, David A. Stangeland, Andras Marosi. Fundamentals of Corporate Finance, Third Canadian Edition Plus MyLab Finance -- Access Card Package, 3/E
 - The textbook is available from the UW BookStore.
 - The use of MyEconLab tests is optional. You may use them as a practice tool, but they will not be used for grading purposes.
- Principles of Finance with Excel, 3rd edition, by Simon Benninga, Tal Mofkadi
- Having access to Laptops/Tablets with MS Excel installed during Lectures. (We will use MS Excel to solve financial/Investment problems. Having a laptop during lectures is not mandatory. Some bonus activities will be assigned, for which having a laptop/tablet is required.)

Communication:

- All communications of this course will be done through UW LEARN (D2L): <http://learn.uwaterloo.ca>
- Your marks for assignments, quizzes, and exams will be posted on UW LEARN (D2L).
- If you have any issues during the term (e.g., lecture speed, exam questions, or personal issues) feel free to contact me.

Grading Scheme:

| | |
|---------------------|-----------------------------|
| In-class Activities | 5% (Top 60% of marks count) |
| Bonus Activities | Maximum 3% |
| Review Quizzes | 10% (4 MC Quizzes) |
| Tests | 45% (3 Tests) |
| Final Exam | 40% |

Contingency teaching plan

If, for any reason, we are forced to switch to fully **online synchronous teaching**, the remainder of lectures and tutorials will be instructed **synchronous online** and tests, midterm test, and/or the final exam will be written **synchronous online**. In this case, the timing for each test/exam will be increased to accommodate the different format/style of the test and to allow you time for scanning and uploading your papers.

Communication:

- All communications of this course will be done through UW Learn (D2L): <http://learn.uwaterloo.ca>
- Your marks for assignments, quizzes, and exams will be posted on UW Learn (D2L).
- If you have any issues during the term (e.g., lecture speed, exam questions, or personal issues) feel free to contact me.

Activities:

- Throughout the term, there will be in-class activities in lecture time.
- The **lowest 40%** out of *n* **participation activities** will be dropped. For example, if there are 20 activities in total, the lowest-8 grade items will be dropped for all students. This 40%, includes low marks, as well as zero marks, and skipped activities. It means you can miss up to 40% of sessions of lectures with activities in case of **schedule conflicts or illness**, in order to try for the full grade in the activities part.
- Students will be given a until midnight (11:59 pm) of the activity posted date to upload the solutions of the activity to the associated dropbox on LEARN.

Tests

The quizzes will be written during normal lecture time on Fridays on the scheduled dates below:

| Schedule of Tests | |
|-------------------|------------------------------|
| Test# | Date |
| 1 | Friday, Sep 30 th |
| 2 | Friday, Nov 4 th |
| 3 | Friday Dec 2 nd |

Tests

- All exams and tests will be closed book.

- **The weight of missed test will be replaced by final exam grade. There is no need for doctor's note for illness.**

Review Quizzes

Review Quizzes will be delivered through LEARN. Focus will be on an assessment of conceptual understanding of lesson content after each part of the course. Quizzes can be taken by the due date. The quizzes can be taken as 3 times for a better grade. Questions are randomized and may be different each time the quiz is accessed. The maximum grade among all attempts will be applied towards the concept quizzes. Content coverage and additional information will be posted prior to each quiz.

- Review Quizzes submitted after the deadline will be given zero.

Final Exam

- The final exam includes all the material covered throughout the term. There is no substitute for the final exam
- The final exam will be two and one-half hours duration and will be scheduled during the examination period. The final exam is comprehensive, covering material throughout the course. The final exam date and time will be assigned by the Registrar's Office.
- Note: You must pass the final examination to receive a passing mark in this class.
- You may use a non-graphing, financial calculator or other calculator containing ln x and y functions. You are NOT allowed to use programmable or graphing calculators on exams. Bear in mind that marks on the examinations are allocated for complete setup of the solutions. If all you have is the final answer, it will get zero marks regardless of its validity.
- Students must bring photo identification to the mid-term and final exams.
- If you have an illness that will impair your performance on an examination, do not write the examination. No adjustment will be made for medical reasons after a student writes an exam. However, note that the experience of virtually all UW instructors is students missing an exam for any reason almost always perform worse than if they had attended all exams.
- In the event that a student is unable to sit a final exam during its regularly scheduled time, provided there is a satisfactory basis for the absence with appropriate supporting evidence, the student will normally write the final exam when final exams take place for the next offering of the course. The student will initially receive an INC grade for the course and no numeric grade will be provided until such time as the final exam is written and a final grade calculated.

Re-grading requests should be made within one week after the return of the graded examinations. A regrading request after a due date will not be accepted. The instructor reserves the right to re-grade the entire examination. Appeals will only be considered where the total marks involved are 5% or more of the total available marks on the exam, because marks below the 5% cut-off do not materially affect the final course grade. Final exam grade appeal procedures are consistent with overall University policy.

Email from the Instructor: The instructor will use students' emails as a major way for out-of-the class communication (e.g., making some announcements, answering some common questions, etc.). The LEARN group email list will be used for sending out class emails. Students should make sure that they can get their emails via LEARN group email. To communicate with the instructor via e-mail, arash.soleimanidahaj@uwaterloo.ca

Email Communication: When you email your instructor, make sure you include the following information in your email:

- Course: ECON 371

- Your official name (What appears on LEARN)
- Your student ID number and your QUEST user ID

Important note: Including non-English characters in your email (sometimes imposed by installing a non-English operating system) prompts UW servers to spam your emails for the instructor. These characters most often appear in (not exclusively) the subject line, From, To, and Date/Time portions of previous communications if you reply to an email. As a result, I may not receive your email if you fall in this category. You must use the web-based email

platform if you suspect that you have non-English characters in your emails imposed by your computer, phone, tablet, etc.

Tentative Course Schedule

| Week | Topics |
|------|--------------------------|
| 1 | Introduction to Interest |
| 2 | Introduction to Interest |
| 3 | Annuities |
| 4 | Loans and Debts |
| 5 | Loans and Debts |
| 6 | <i>Reading Week</i> |
| 7 | Bonds |
| 8 | Bonds |
| 9 | Valuing Stocks |
| 10 | Valuing Stocks |
| 11 | Cash-flow analysis |
| 12 | Capital Budgeting |
| 13 | Capital Budgeting |

Depending on the speed of material delivery and level of knowledge of students, some chapters can be excluded from the course schedule

UW and Other Academic Policies:

1. At no point should any student post any course material including, but not limited to, recorded lectures, slides, practice problems, assignments, quizzes, solutions, etc. to any website except LEARN and Piazza. All course material is the intellectual property of the instructor and the University of Waterloo. **Stating or clicking a box indicating that you are the owner of this material** is fraudulent. Students who are caught or suspected of sharing materials online will be reported to the Dean's Office.

2. **Professional Conduct Policy:** To foster a more professional learning environment and to develop habits that lead to success in the business work, all participants must engage in professional behavior, including: 1. No inappropriate talking in class. 2. Turn off mobile phones prior to class. 3. Arrive on time and leave at the designated time. Please do not leave the class in the middle unless it is absolutely essential. 4. Plan outside activities to avoid conflicts with the activities outlined in the syllabus. 5. Agree to abide by the academic misconduct rules and procedures and code of ethics discussed below. 6. Acknowledging the

importance of clarity of expression in written and oral communication and understanding that the course grade will be affected by your ability to communicate.

3. **Academic Integrity:** Absolutely no cheating is allowed. Note on avoidance of academic offences: All students registered in the courses of the Faculty of Arts are expected to know what constitutes an academic offense, to avoid committing academic offenses, and to take responsibility for their academic actions. When the commission of an offense is established, disciplinary penalties will be imposed in accord with Policy #71 (Student Academic Discipline). For information on categories of offenses and types of penalties, students are directed to consult the summary of Policy #71 in the student Academic Calendar (Section 1) or by using the link below: <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>. Other resources regarding the discipline policy include your academic advisor.

4. **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, Section 4, www.adm.uwaterloo.ca/infosec/Policies/policy70.htm. When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

5. **Discipline:** A student is expected to know what constitutes academic integrity [check www.uwaterloo.ca/academicintegrity/] to avoid committing an academic offence, 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 instructor, academic advisor, or the undergraduate Associate Dean. For information on categories of offences and types of penalties, students should refer to Policy 71, Student Discipline, www.adm.uwaterloo.ca/infosec/Policies/policy71.htm. For typical penalties check Guidelines for the Assessment of Penalties, www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm.

6. **Appeals:** A decision made or penalty imposed under Policy 70 (Student Petitions and Grievances) (other than a petition) or Policy 71 (Student Discipline) may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to Policy 72 (Student Appeals) www.adm.uwaterloo.ca/infosec/Policies/policy72.htm.

7. **Release of Grades:** Grades will be released through the course site on UW-Quest. Please note that University of Waterloo Policy 19 states that, "final examination and final course grades shall not be posted before the final examination period ends." I will not release marks through email or on the phone.

8. **Note for Students with Disabilities:** The Accessibility Services, located in Needles Hall, Room 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 Accessibility Services at the beginning of each academic term.