



**PLEASE NOTE THAT SOME CHANGES COULD BE MADE TO THIS OUTLINE
BEFORE JANUARY 20, 2023**

ECON 4052 A – Corporate Financial Economics

Winter 2023

Instructor: Professor F. Demers
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Office Hours: Tuesdays 1:30pm -2:30 pm, and by appointment

Lectures: Thursdays 2:35pm-5:25pm.
Location: Southam Hall, Room 515

Prerequisites: Prerequisite(s): ECON 3050 with a grade of C- or higher, and ECON 2030 with a grade of C- or higher or ECON 2003 (no longer offered) with a grade of C- or higher.

Precludes additional credit for BUSI 3500 (or ECON 3500, no longer offered) and BUSI 3502 (or ECON 3502, no longer offered).

Students who believe they have taken a similar background course or courses from another university must provide appropriate documentation to the Department of Economics Undergraduate Administrator, Renée Lortie.

DEF(erred final grade) status at the end of this course precludes (continued) registration in any other course for which the former is a prerequisite.

PLEASE NOTE:

This course will be delivered in person. Some material for the lectures may be provided through asynchronous recordings, in which case they will be made available on Brightspace.

Brightspace and e-mail:

This course will make intensive use of **Brightspace**. **It is each student's responsibility to check this website frequently for posted material** such as PowerPoint slides, lecture notes, asynchronous recordings, assignment questions and answers, problem sets, answer keys, additional readings etc. I will also send the class announcements by e-mail using Brightspace. So, **please check your e-mail frequently**.

If you do not have a Brightspace account, please visit: www.carleton.ca/Brightspace

Course Description:

This course will first provide an overview of the theories underlying modern financial economics and of the tools needed to address concepts such as the time value of money as well as bond and stock valuation. Thereafter, we will turn to an in-depth analysis of firms' investment decisions under certainty and uncertainty, the cost of capital, systematic risk, the CAPM and the equity premium, capital budgeting under certainty and uncertainty, and asymmetric information problems in corporate finance.

Required Text:

Jonathan Berk, Peter DeMarzo, Jarrad Harford, David Strangeland and Andras Marosi, *Fundamentals of Corporate Finance: Third Canadian Edition*, Don Mills, Ontario: Pearson Canada, 2020. (abbreviated as BDHSM)

Suggested Texts:

Jonathan Berk and Peter DeMarzo, *Corporate Finance, 5th Global edition*, Pearson, 2020 . (abbreviated as BD)

Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri, *Financial Theory and Corporate Policy*, Pearson Addison-Wesley 2005.

Jean Tirole, *The Theory of Corporate Finance*, Princeton University Press (2006).

Richard A. Brealey, Stewart Myers and Franklin Allen, *Principles of Corporate Finance*, McGrawHill, 2011.

Aswath Damodaran, *Applied Corporate Finance, 4th edition*, New York, US: Wiley, 2014

Keith Pilbeam, *Finance and Financial Markets, 4th edition*, London, UK: Palgrave, MacMillan, 2018.

Additional readings or material may be assigned during the term.

Adjustments to the content and to the order of topics may be made to the following outline during the course of the term.

COURSE OUTLINE (Tentative, time permitting)**I. Corporate Finance and Corporate Governance**

Handout and BDHSM Ch. 25, BD Ch. 29, Tirole, Ch. 1, Copeland et.al. Ch. 13,

II. The Law of One Price and the Time-Value of Money: Overview

BDHSM Chapters 3 –5.

III. Valuation: Bond and Stock Valuation

BDHSM Chapters 6-7

IV. Project Valuation and Capital Budgeting

BDHSM Chapters 8-9

V. Risk and Return in Capital Markets, the CAPM

BDHSM Chapter 10-11

VI. Capital Structure, the Weighted Average Cost of Capital and the Role of Taxes

BDHSM Chapter 12

VII. The Financing Decision of the Firm

BDHMS Chapters 14-16

Grading:

Mid-term examination (March 2 tentative, may be online)	40%
Final examination (scheduled by the University)	60%

Exams: Students who miss the midterm exam for a valid reason (documented appropriately) will have the associated weight added to that of the final exam. The final exam will be scheduled during the official final examination period (April 15-27). Should the final exam be missed for any reason, the student must arrange for the possibility of a deferred examination through the Registrar's Office. If granted by the Registrar's Office, this exam will take place during the time designated in the Calendar. Special final exams (or midterms) will not be given. The final exam will cover the entire course material, but more weight will be given to topics covered after the midterm.

Please note that tests and examinations given online in this course may use e-Proctoring, a remote proctoring service provided by Scheduling and Examination Services. More information may be obtained at <https://carleton.ca/ses/e-proctoring/>.

Exercise Problems: Exercise problems will be given to complement the lectures. The answers to these will be posted on Brightspace. It is strongly recommended that students do them carefully in order to improve their understanding of classroom material.

Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Dean. (See Academic Regulation 2.3 for the official meanings of the grades and note that it stipulates that no course grades are final until approved by the Faculty Dean.)

Re-marking:

Any request for the remarking of exams or assignments must be submitted in writing within two weeks of that assignment or exam first being returned to the class. The request should contain a detailed explanation of why you feel you should receive a higher mark. Please note that remarking will apply to the entire assignment or exam, and not just to the contentious question. As a result, the revised mark may be higher than, lower than or the same as the original mark.

Please also note: "Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments, and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s)."

Plagiarism

Please be aware that plagiarism is a serious offence at Carleton University.

The University Academic Integrity Policy defines plagiarism as "presenting, whether intentionally or not, the ideas, expression of ideas or work of others as one's own." This includes reproducing or paraphrasing portions of someone else's published or unpublished material, regardless of the source, and presenting these as one's own without proper citation or reference to the original source. Examples of sources from which the ideas, expressions of ideas or works of others may be drawn from include but are not limited to: books, articles, papers, literary compositions and phrases, performance compositions, chemical compounds, artworks, laboratory reports, research results, calculations and the results of calculations, diagrams, constructions, computer reports, computer code/software, material on the internet and/or conversations.

Examples of plagiarism include, but are not limited to:

- any submission prepared in whole or in part, by someone else;
- using ideas or direct, verbatim quotations, paraphrased material, algorithms, formulae, scientific or

- mathematical concepts, or ideas without appropriate acknowledgment in any academic assignment;
- using another's data or research findings without appropriate acknowledgement;
- submitting a computer program developed in whole or in part by someone else, with or without modifications, as one's own; and
- failing to acknowledge sources through the use of proper citations when using another's work and/or failing to use quotations marks.

Plagiarism is a serious offence that cannot be resolved directly by the course's instructor. The Associate Dean of the Faculty conducts a rigorous investigation, including an interview with the student, when an instructor suspects a piece of work has been plagiarized. Penalties are not trivial. They can include a final grade of "F" for the course.

Academic Accommodation Requests:

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

Pregnancy obligation:

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Religious obligation:

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf

Academic Accommodations for Students with Disabilities:

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. For more details, visit the Paul Menton Centre website carleton.ca/pmc. Please consult the PMC website for the deadline to request accommodations for the formally scheduled exam (if applicable). The deadline for the winter term is March 15, 2023, according to the Academic Calendar. (See <https://carleton.ca/registrar/registration/dates/academic-dates/#sect3>)

Carleton University has launched a new academic accommodation management system, Ventus. More information on using Ventus can be found on (<https://ventus.carleton.ca/student>) and <https://carleton.ca/ventushelp>

Survivors of Sexual Violence:

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for Student Activities:

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, see [the policy](#).

Statement on Student Mental Health

As a university student you may experience a range of mental health challenges that significantly impact your academic success and overall well-being. If you need help, please speak to someone. There are numerous resources available both on- and off-campus to support you. Here is a list that may be helpful:

Emergency Resources (on and off campus):

<https://carleton.ca/health/emergencies-and-crisis/emergency-numbers/>

Carleton Resources:

- Mental Health and Wellbeing: <https://carleton.ca/wellness/>
- Health & Counselling Services: <https://carleton.ca/health/>
- Paul Menton Centre: <https://carleton.ca/pmc/>
- Academic Advising Centre (AAC): <https://carleton.ca/academicadvising/>
- Centre for Student Academic Support (CSAS): <https://carleton.ca/csas/>
- Equity & Inclusivity Communities: <https://carleton.ca/equity/>

Off Campus Resources:

- Distress Centre of Ottawa and Region: <https://www.dcottawa.on.ca/>; (613) 238-3311 or text: 343-306-5550
- Mental Health Crisis Service: <http://www.crisisline.ca/>; (613) 722-6914, 1-866-996-0991.
- Empower Me: <https://students.carleton.ca/services/empower-me-counselling-services/>; 1-844-741-6389.
- Good2Talk: <https://good2talk.ca/> 1-866-925-5454.
- The Walk-In Counselling Clinic: <https://walkincounselling.com>

COVID

It is important to remember that COVID is still present in Ottawa. The situation can change at any time and the risks of new variants and outbreaks are very real. There are a number of actions you can take to lower your risk and the risk you pose to those around you including being vaccinated, wearing a mask, staying home when you're sick, washing your hands and maintaining proper respiratory and cough etiquette. (See <https://carleton.ca/covid19/health-and-safety/reducing-your-risks/>).

Feeling sick? Remaining vigilant and not attending work or school when sick or with symptoms is critically important. If you feel ill or exhibit COVID-19 symptoms do not come to class or campus. If you feel ill or exhibit symptoms while on campus or in class, please leave campus immediately. In all situations, you must follow Carleton's symptom reporting protocols (<https://carleton.ca/covid19/covid-19-symptom-reporting/>).

Masks: Carleton has paused the COVID-19 Mask Policy (<https://carleton.ca/covid19/policies-and-protocols/mask-policy/>), but continues to strongly recommend masking when indoors, particularly if physical distancing cannot be maintained. It may become necessary to quickly reinstate the mask requirement if pandemic circumstances were to change.

Vaccines: Further, while proof of vaccination is no longer required as of May 1 to attend campus or in-person activity, it may become necessary for the University to bring back proof of vaccination requirements on short notice if the situation and public health advice changes. Students are strongly encouraged to get a full course of

vaccination, including booster doses as soon as they are eligible, and submit their booster dose information in cuScreen (<http://carleton.ca/covid19/cuscreen>) as soon as possible. Please note that Carleton cannot guarantee that it will be able to offer virtual or hybrid learning options for those who are unable to attend the campus. All members of the Carleton community are required to follow requirements and guidelines regarding health and safety which may change from time to time. For the most recent information about Carleton's COVID-19 response and health and safety requirements please see the University's COVID-19 website (<https://carleton.ca/covid19/>) and review the Frequently Asked Questions (FAQs) (<https://carleton.ca/covid19/faq/>) Should you have additional questions after reviewing these, please contact covidinfo@carleton.ca .