

**PLEASE NOTE THAT SOME CHANGES COULD BE MADE TO THIS OUTLINE
BEFORE JANUARY 17, 2025**

ECON 4052 A – Corporate Financial Economics

Winter 2025

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Office Hours: Tuesdays 1:30pm -2:30 pm, and by appointment online
TA: TBA

Lectures: Thursdays 11:35pm-2:25pm.

Brightspace Course Page: <https://brightspace.carleton.ca/d2l/home/283673>

PLEASE NOTE:

This course will be delivered in person. Lectures are three hours a week. Some lecture material 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

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 Sean Hall.

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.

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, real options, and asymmetric information problems in corporate finance.

Learning Outcomes: Becoming proficient in assessing bond and stock valuation, in analyzing firms' investment decisions under certainty and uncertainty and learning about capital budgeting under certainty and uncertainty.

Required Texts:

Jonathan Berk, Peter DeMarzo, Jarrad Harford, David Strangeland and Andras Marosi, *Fundamentals of Corporate Finance: Third Canadian Edition*, Don Mills, Ontario: Pearson Canada, 2022 (abbreviated as BDHSM).

Available as E-book: Rent (180 days):\$ 68; Buy: (\$ 90.75)

Jonathan Berk, Peter DeMarzo, and David Strangeland, *Corporate Finance, 4th Canadian Edition*, Don Mills, Ontario: Pearson Canada, 2020.

Hardcover. New: \$217.99; Used: \$163.50

Suggested Texts: (Do not need to be purchased)

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

T. E. Copeland, J. F. Weston, and K. 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 term.

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

Handout and BDHSM Ch. 1, Ch. 25, BDA, Ch. 1, 29, 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, Real Options 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 (Feb. 27, date to be confirmed)	35%
Assignment (15%) given Feb.8, due date Feb.15 (dates to be confirmed)	15%
Final examination (scheduled by the University)	50%

Midterm exam: Students who miss the midterm exam for a valid reason (indicated to me by email as soon as possible) will have the associated weight added to that of the final exam. I reserve the right to request a Self-Declaration form or PMC letter of accommodation depending on the length of incapacitation. Special midterm exams will not be given.

Final exam: The final exam will be in person and will cover the entire course material, but more weight will be given to topics covered after the midterm exam. Special final exams will not be given.

Students are not to make travel plans during the exam period as that is not a valid reason for missing a final exam. Should the final exam be missed for any reason, a grade of F will be assigned, and the student must arrange for the possibility of a deferred examination through the Registrar's Office within 3 working days of the exam. If granted by the Registrar's Office, this exam will take place during the time designated in the Calendar for deferred exams. In the event that a student writes a deferred examination, the deferred examination will carry the same weight as the final examination in determining the course grade.

Assignments: An assignments will be given to complement the lectures and will be marked for credit. It is **strongly recommended** that students do the assignment carefully in order to improve their understanding of classroom material. Students will have about a week to complete the assignment and submit it. The use of Generative Artificial Intelligence tools (e.g. ChatGPT) to answer assignment questions is counterproductive. In any event, it is considered to be plagiarism and is not permitted. Late assignments will not be graded, but provided the student has a valid reason (indicated to me by email), the weight of the assignment will be added to that of the final exam.

Standing in the 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 must be submitted in writing within two weeks of that 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 exam not just 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 and should be recognized and avoided.

You are responsible for reading and knowing the information about plagiarism, about Carleton University resources, and about academic accommodations found at: <https://carleton.ca/economics/plagiarism-resources-and-accommodations/>

(See also here below.)

Plagiarism, Resources and Mental Health, Academic Accommodations
Plagiarism

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, including the unauthorized use of generative AI tools (e.g., ChatGPT);
- 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. For the full policy please refer to the [Academic Integrity Policy](#).

Resources and Mental Health

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

Academic Accommodation

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

Pregnancy obligation: write to me 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 accommodation regarding a formally-scheduled final exam, you must complete the Pregnancy Accommodation Form ([click here](#)).

Religious obligation: write to me 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 [click here](#).

Academic Accommodations for Students with Disabilities: The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and 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 me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam.

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 where 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: <https://carleton.ca/equity/sexual-assault-support-services>

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 will be provided to students who compete or perform at the national or international level. Write to me 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. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>