Course Objectives:

1. To survey the literature on some of the most important issues in the theory of corporate finance.

2. To initiate students to learning how to work with models in corporate finance.

Reference Texts:


*Additional readings may be given in class.*

**READING LIST**

Required readings are indicated with a star (*).

1. Goals of the firm and corporate governance, separation of ownership from control, performance measures, and incentive design

   * Handout
   * Copeland et.al. Chapter 13
   * Tirole Chapter 1
2. Agency problems and asymmetric information problems between shareholders and managers: optimal compensation contracts

* Handout
* Copeland et.al. Chapter 12


3. Optimal capital structure and the Modigliani-Miller Theorem; Financing mix; Different debt and equity instruments and their characteristics

* Handout
* Tirole, Chapter 2
* Jensen and Meckling (1976)

4. Agency problems and asymmetric information problems between creditors and managers

* Handout
* Tirole Chapter 3

5. Dilution and overborrowing

* Handout
* Tirole Chapter 3

6. Cost of capital: cost of equity and cost of debt, the weighted average cost of capital (WACC) and the role of taxes

* Handout
* Copeland et.al., Chapter 15

7. Capital structure under asymmetric information: adverse selection problems and signaling with applications

* Handout
* Tirole Chapter 6

8. Calculating the cost of capital (time permitting)

Benninga, Chapter 2

9. Analysis of financial statements and firm valuation (time permitting)

Benninga, Chapters 3 and 4
Evaluation:

The basis for determining your final grade in this course is as follows:

Midterm examination 40% Date: February 27
Final examination 60% Date: During the examination period

Students who miss the midterm exam for a valid reason (documented appropriately) will have the associated weight added to that of the 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. Special final exams (or mid-terms) will not be given. 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.

This course will make use of CuLearn. It is each student’s responsibility to check this website for posted material. Students must also verify their e-mail messages frequently.

Academic Accommodation Requests:

Student may need special arrangements to meet their academic obligations during the term because of disability, pregnancy, or religious obligations. Please review the course outline promptly and write to the 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.

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Documented disabilities could include, but are not limited to, mobility/physical impairments, specific Learning Disabilities (LD), psychiatric/psychological disabilities, sensory disabilities, Attention Deficit Hyperactivity Disorder (ADHD), and chronic medical conditions. Registered PMC students are required to contact the PMC (telephone: 613-520-6608) every term to ensure that their instructors receive their Letter of Accommodation no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. Students requiring accommodations for their formally scheduled exam(s) only in this course must submit their requests for accommodations to the PMC by March 15, 2019 for the Winter term. (See http://www1.carleton.ca PMC/students/dates-and-deadlines/)

See the Equity Services Web site at www.carleton.ca/equity/accommodation to obtain more detailed information on academic accommodation to view the associated policies.

Plagiarism:

Please be aware that plagiarism is a serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at www.carleton.ca/economics/courses/writing-preliminaries.