

**Simon Fraser University  
Beedie School of Business**

**Bus 413: Corporate Finance  
Fall 2011  
Professor: Alexander Vedrashko**

<b>Instructor Info</b>	Office: WMC 3311 (Burnaby) E-mail: awv@sfu.ca Telephone: 778-782-3471
<b>Office Hours</b>	Tuesday, Thursday 13:20-14:20 and by appointment.
<b>Class Time:</b>	Tuesday WMC3510, Thursday WMC3220 14:30-16:20 (Day section), 17:30 - 19:20 WMC3510 (Evening section).
<b>Enrollment:</b>	I do not handle enrollment issues, except occasional questions about pre-requisites. Please discuss them first with the undergraduate office of the Faculty of Business.

**Course Requirements:**

**Text:** Brealey, Myers, Allen, "Principles of Corporate Finance," 10<sup>th</sup> ed (2010). Earlier editions are OK, but it is up to you to find the assigned pages and sections.

The prerequisites for Business 413 are Bus 312, Bus 315, and Bus 316 with grades of C- or better.

The course website (lecture notes, etc.) is: <http://www.sfu.ca/~awv/413/bus413.htm>

**Course Objectives and Scope:**

The purpose of this course is to continue the study of corporate financial management that you began in Business 312, while incorporating capital-market returns that you studied in Business 315 and derivative valuation that you studied in Business 316.

The course is partitioned into five major topics: (1) risk in capital budgeting, (2) market efficiency and corporate financing, (3) payout policy and financial structure, (4) valuation, (5) various topics.

**Exams:** The Final exam is **cumulative (comprehensive)** - topics covered before the midterm will also appear on the final (approx. 33%).

You will be permitted to bring a formula sheet into the midterm and final exams. You can write any text or formulas on it. It has to be hand-written. The sizes are: half of a standard 8.5 by 11 inch sheet for the midterm and a full sheet for the final. Double-sided in both cases. You can use a scientific or financial calculator, but a simple one is sufficient.

**Rescheduling:** There are no scheduled make up final exams. Make sure that you do not have any other plans around exam time. If you become seriously ill, you must obtain permission to miss the scheduled exam from the undergraduate office and have your health care provider fill out a form available at <http://students.sfu.ca/content/dam/sfu/students/pdf/hcpsfGeneral.pdf>

If you miss a midterm with this note, the points for the midterm are added to the final exam.

**Assignments and Quizzes:**

Homework assignments will be distributed throughout the semester. They will not be marked; however, questions similar to those in the assignments will appear in four “surprise quizzes” (closed-book) during the semester. Solutions to both homeworks and quizzes will be discussed in class.

Since the dates of “surprise quizzes” are not announced in advance, it is highly recommended that you attend all lectures. Only three out of four quizzes will count—you can miss one quiz and still receive the maximum total points for quizzes; as a result, *there are no make-ups for missed quizzes regardless of your circumstances*. Quizzes are closed-book (the midterm and final are with formula sheets).

**Course Evaluation:**

Grades will be awarded as follows:

Quizzes	20% (best 3 out of 4 will count)
Mid-term Examination	35%
Final Examination	45%
Course Participation	Additional up to 2%

The midterm exam will take place in-class tentatively on the week of lecture 15 (Oct. 25-27)—the exact date will be set depending on how fast we cover the material. The last class: December 1 (Thursday). The final exam is scheduled by the university on Thursday, December 15, 7pm-9pm.

**APPROXIMATE SCHEDULE OF COURSE TOPICS**

	<b>Concept</b>	<b>Textbook Chapters</b>
Risk in Capital Budgeting (Approx 3 weeks)	Introduction, NPV rule Risk and Return Risk and Cost of Capital Sensitivity Analysis, Decision Trees and Real Options	1,2,4,2-4.5,5.1-5.3 7, 8.1-8.3 9 10.2-10.4
Market Efficiency and Corporate Financing (Approx 2 weeks)	Efficient Markets Corporate Financing How Corporations Issue Securities	13 14, 24.1-24.5 15
Payout Policy and Capital Structure (Approx 4 weeks)	Payout Policy Does Debt Policy Matter? Financing Choices, Taxes, Bankruptcy	16 17 18
Valuation (Approx 4 weeks)	Financing and Valuation Valuation including Real Options	19 22
Various Topics (Approx 1 week)	Mergers and Acquisitions Credit Risk (time-permitting)	31, 32 (overview) 23