

FINANCE 422 – CAPITAL INVESTMENT
UNIVERSITY OF ALBERTA School of Business
Department of Finance

Instructor: Anthony Mayadunne

Fall 2021

Office: Online

e-mail: mayadunn@ualberta.ca

Office hours: Weekday afternoons (1-3pm), by appointment (email) for a zoom call for individual or group sessions

Class section: B1

Class times: Asynchronous Class

Class room: Online

Course Description and Objectives: This course discusses the capital investment decisions of firms. These are decisions about the size, allocation, and financing of capital expenditures, the relatively large, long-term investments that may be tactical or strategic in nature. Taken in the aggregate, these decisions determine the economic future for a society. To the firm, they constitute one of the most demanding challenges confronting management. (**Prereq:** FIN 301, MGTSC 312)

Learning Objectives: This course incorporates the learning goals of the BCom Program, in particular critical thinking, oral communication, teamwork, quantitative skills, and written communications. At the end of this course, you will have developed the following course-specific knowledge:

1. You should understand the theory of finance related to the allocation of a firm's long-term capital resources.
2. You should acquire tools to deal with the practical application of theory.
3. You should have gained experience applying the theory and tools to real-world problems. This will be achieved through a Team Assignment from HBS Cases.

Textbook: Berk, DeMarzo, Stangeland: *Corporate Finance*, 4th Canadian Edition, Pearson Canada, 2019, ISBN: 9780134887456. This course will be completely administered online, so all individual assignments, midterm and final exams will be administered online. **Therefore, all students will need to purchase a MyLab account** (we have arranged with Pearson Publishing for e-Textbook and MyLab package). You may use an earlier edition, but the official textbook is the 4th Canadian Edition, and all references in lectures, assigned readings etc will be from this edition.

Team Assignment: The Assignment Questions will be posted. Students are responsible for forming their own teams and each team can purchase one copy of the case from Harvard Business School (HBS) Publishing.

The link to purchase is: <https://hbsp.harvard.edu/import/856677> (if the course pack is tied into my McMaster University account, please ignore that. It is accessible for University of Alberta as well).

Due Dates for Team Assignment: Team Assignment Monday November 15, 2021

Method of Evaluation: Final grading in the course is done on the basis of individual student achievement as well as team achievement measured by the following assessments:

Weekly Quizzes every Friday (best 10 out of 12)	50%
Participation (Active & Collaborative Class Engagement)	10%
Team Assignments (1 HBS Case, 10%)	10%
Final Exam (Date TBA)	30%
TOTAL	100%

Letter grades will be assigned to the percentage marks in accordance with University Regulations [Section 23.4(4) of the University Calendar]. Your final course grade will be based on your absolute achievement and relative performance in the class.

Weekly Quizzes: Twelve weekly quizzes will be given through MyLab. ***Each person in the class must submit his/her individual quizzes.*** The due dates for each individual assignment are listed within MyLab. Assignments will be administered online by logging into Pearson MyLab (login and student account are part of the textbook package). The cutoff time for submitting assignments on the due dates is 11:59 p.m, but please ensure you submit well before this deadline in case of internet/technical difficulties or personal emergencies. Each Weekly quiz will test the material taught in that week. The quiz opens on Friday 12:00am and is due by 11:59pm of that day to accommodate for time zones for students

living out of MDT. You will have **one** attempt within that period. I have deliberately created this 24-hour window and give you all due dates ahead of time in order to accommodate for any potential emergencies. Thus, students who misses a quiz will get a score of zero. I am taking the best 10 out of the 12 weekly quizzes to allow for unforeseen emergencies in case students miss a quiz.

The best practice for quizzes and Final Exam is the Study Plan for each Chapter. Please practice all Study Plan questions so that you are comfortable with accurately answering questions. The automated marking system provides a fair assessment of all the students, so I am not making individual exceptions. *Part of answering the quiz is demonstrating that you can accurately work within a computerized system, and which is a critical skill required of finance professionals.*

Team-Work: This course requires students to participate in group-work for on a HBS Case and written submission. The assignment accounts for 10% of the final grade in the course. I am assigning students to their groups to simulate a work environment in which you will be on teams with people you do not choose. *A critical learning objective of this assignment is to evaluate how the students work as a team (e.g. connecting with team members, managing team conflict, setting up team meetings, collaborating to produce a final report), so no individual submissions are accepted.*

Students who fail to participate adequately in their group are liable to lose part or all of these marks. If problems arise during the term with any of the members of your group, please advise the instructor promptly. I will be asking for peer feedback to ensure that all team members feel the team contribution was equitable.

Students who make no contribution to their group stand to lose all of the marks allocated for the Team Assignment and written submission. In this circumstance, the instructor may penalize nonparticipating members of a group based upon complaints received from other group members. Such complaints must be made to the instructor prior to the day that team project report is due (Sunday, November 14, 2021). A student will not lose any marks for nonparticipation, in excess of the 20% based on the peer evaluation, without the instructor giving that student an opportunity to explain her/his lack of participation. A student who wishes to explain her/his lack of participation should contact the instructor before the last official day of classes at the University (Monday, December 7, 2021).

Class Participation: As this is an online class, I will have opportunities for online participation, but I recognize how the online platform can pose challenges. So, I am evaluating class participation by questions asked and answered in the discussion forum. The primary goal of class participation is to give you a chance to add to the overall learning experience of all students (See Adam Grant's [TED talk on Givers & Takers](#) to get a sense of the operating principle). Questions, comments, and collaboration with other students are the primary criteria. This course is intensive and fast-paced, so respectful and productive online collaboration will be a very useful skill to acquire both for this class and all future classes. Please note that I am giving students participation grades primarily based on how their questions/answers/comments/suggestions/activities that are of help to other classmates in the course (0 = no productive contribution to our overall learning experience, 5 = average contribution to our overall learning experience, and 10 = exceptional contribution to our overall learning experience). I recognize that students as people have a range of personality-types and disposition to engagement with others, so I am looking for the spirit of contribution and helpfulness. I will share examples of active contribution over the course of the semester so you can see how your classmates are contributing to the course.

Academic Integrity: *As this course is completely run online, we are operating on an honor code in which I trust that you will not cheat or engage in academic dishonesty. I take this very seriously, and if I find anomalies in the grading data which suggest such dishonesty, I will flag it and investigate the situation. Please remember that dishonesty of any sort has no place in our university, and in our professional lives in Finance. Your integrity is the most powerful force you have, so do not pollute it by even one act (or one gray area) of dishonesty.*

“The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the [Code of Student Behavior](#) and avoid any behavior which could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.”

Please be aware that writing help is available at the following sites:

Examinations:

1. The Final Exam will cover:
The material in the assigned chapters from the textbook. Students will be primarily responsible for all assigned material from the textbook and *supplemented by the material discussed in the lectures*. The best preparation for the exam is working through the Study Plan questions for each taught chapter in MyLab.
2. The **2-hour final exam** is cumulative and will test ALL material covered in the course.
3. The date for the final exam is TBA.
4. The exams will be administered online, bound by an honor code of academic integrity that each student takes the test alone and without assistance or engages in activity that violates the academic code of conduct.
5. You may use Excel, the online financial calculator that is provided through MyLab, or a physical scientific or Financial Calculator.
6. More information about the exams will be posted to the class web site closer to the exam dates.

Questions about Marking: If you feel that your grade is incorrect, you must notify me in writing within one week of the date that the Team Assignment is returned to the class. After that, the problem will not be researched. Please note that all online assignments and exams are automatically graded through MyLab uniformly without bias for all students, and therefore assumed to be fair grading.

Missed Term Work:

1. Any student who misses term work for a valid reason will be permitted to transfer the weight of that term work onto the final exam. Supporting documentation (either a form from the student's faculty or a Statutory Declaration) may be required to demonstrate valid cause.
2. In case of absence from the final exam, the student must apply through the Undergraduate Office to write a deferred exam. The deferred exam is set for Friday, Feb 11, 2022 at 8:00am-10:00am (Edmonton Time). However, students who miss the Final exam need to contact me immediately after the exam and file an official request to the university requesting permission for the deferred exam.

Format of the Online Lectures: The lectures will be pre-recorded and posted at the beginning of each week. The pre-recorded weekly lecture may be in segmented QuickTime videos that are about 1.5 - 3 hours in total for each week. I am using the pre-recorded lecture in this format so that students may pause, rewind, fast forward, and review the lectures that their convenience. I will also post a pdf of the lecture slides. Please note that I am designing the slides for presentation of my lecture, but I do recommend that you make notes, and if posting questions in the discussion forum you reference the lecture and slide number. It is also a good idea to write your questions on the slide so that when asking questions in the forums or by email, it is easy to quickly reference the specific slide.

MyLab has preview questions called **Dynamic Study Modules** (not for credit) for each weekly lecture which I recommend you try out before watching the online lecture as it will focus your attention on particularly tricky material. These practice questions will be open for the entire duration of the course. This material is not for credit, but it is a great warm-up before you watch the lecture.

Weekly quizzes cover the material in each week's lecture, and typically require the use of Excel. Completing these quizzes each week and utilizing the excellent Study Plan in MyLab is the best preparation you can have for your final examination as they will follow the same format and student experience. Rather than posting past exams (which will be different depending on the professor and section), I recommend you use the MyLab Practice Questions to prepare for both the Weekly Quizzes and Final Examination as they are all drawn from the same pool.

There are quizzes every week (except within Reading Week November 8 – 12), so mark off deadlines on your calendar and construct a timetable for yourself to ensure that you are in track each week. Missing even one lecture can seriously impact your success in the course. Note that you have deliverables *every week*. I recommend you email and connect with your teams *right after the first week* so you will have time to connect with each other, possibly form study groups, and start work on the Team Assignment. Please note that a recurring concern I have from students is that some students do not reply

to emails from their team members in a prompt manner (i.e. within 24 hours is business protocol). This is seriously unprofessional and will be reflected in peer-feedback. In teams, your lack of participation impacts your team, so I will hold you accountable for lack of professionalism.

The first lecture is a foundational lecture, and therefore of special importance. It will review all the major concepts you would have studied in your past finance courses to ensure that all students will start on the same foundation for the subsequent five lectures. It also provides the overall framework within which the course is designed.

Please note that Student or instructor content, digital or otherwise, created and/or used within the context of the course is to be used solely for personal study, and is not to be used or distributed for any other purpose without prior written consent from me. This is not a just legal statement, but an actual personal request: I have spent many months developing and preparing my lectures to maximize the students learning experience. If you re-post or sell my material to third parties, it is no different from an actual theft of intellectual property, and a betrayal of the trust we have in each other in this course. Let us all respect and honor each other’s intellectual property for the benefit of all of us.

Finally, I would value your feedback and suggestions for improvement of these lectures as this is the first time I have designed and run a completely online course. I hope for your patience and support as we develop this new model of online courses.

Tentative Class Schedule (readings from Berk, et al. **fourth Canadian edition**, are indicated below):

Date	Topics and Events	Readings
Week 1: September 1 – 3	Introduction; The Corporation, Financial Statement Analysis	<ul style="list-style-type: none"> • Required Reading: Chapters 1 and 2 • No quiz this week, but please start on Study Plan questions (Ch 1 & 2) for practice and getting used to the MyLab platform.
Week 2: September 6 - 10	Time Value of Money	<ul style="list-style-type: none"> • Chapter 4 • Quiz 1 opens on Friday, September 10th at 12:00am and due by 11:59pm
Week 3: September 13 - 17	Investment Decision Rules	<ul style="list-style-type: none"> • Chapter 8 • Quiz 2 opens on Friday, September 17th at 12:00am and due by 11:59pm
Week 4: September 20 - 24	Fundamentals of Capital Budgeting	<ul style="list-style-type: none"> • Chapter 9 • Quiz 3 opens on Friday, September 24th at 12:00am and due by 11:59pm
Week 5: September 27 – October 1	Valuing Bonds	<ul style="list-style-type: none"> • Chapter 6 • Quiz 4 opens on Friday, October 1st at 12:00am and due by 11:59pm
Week 6: October 4 - 8	Valuing Stocks	<ul style="list-style-type: none"> • Chapter 7 • Quiz 5 opens on Friday, October 4th at 12:00am and due by 11:59pm

Week 7: October 11 - 15	Capital Structure in a Perfect Market (Part 1)	<ul style="list-style-type: none"> Chapter 17 Quiz 6 opens on Friday, October 15th at 12:00am and due by 11:59pm
Week 8: October 18 - 22	Capital Structure in a Perfect Market (Part 2)	<ul style="list-style-type: none"> Chapter 18 - 19 Quiz 7 opens on Friday, July 30th at 12:00am and due by 11:59pm
Week 9: October 25 - 29	Mergers & Acquisitions (Part 1)	<ul style="list-style-type: none"> Chapter 28 Quiz 8 opens on Friday, November 5th at 12:00am and due by 11:59pm
Week 10: November 1 - 5	Mergers & Acquisitions (Part 2)	<ul style="list-style-type: none"> Chapter 28 Quiz 9 opens on Friday, November 5th at 12:00am and due by 11:59pm
Week of November 8 – 12 (No Class)	Reading Week	<ul style="list-style-type: none">
Monday, November 15, 2021	Team Assignment is due by 11:59pm	<ul style="list-style-type: none"> ONE submission per team by email to Instructor
Week 11: November 15 - 19	Payout Policy	<ul style="list-style-type: none"> Chapter 20 Quiz 10 opens on Friday, November 19th at 12:00am and due by 11:59pm
Week 12: November 22 - 26	Financial Options	<ul style="list-style-type: none"> Chapter 14 Quiz 11 opens on Friday, November 26th at 12:00am and due by 11:59pm
Week 13: November 29 – December 3	Real Options	<ul style="list-style-type: none"> Chapter 16 Quiz 12 opens on Friday, December 3rd at 12:00am and due by 11:59pm
Final Exam Date TBA	FINAL Exam	Test covers all material in the course

Other Important Information

Policy about course outlines can be found in §23.4(2) of the University Calendar.