

COURSE INFORMATION

Course title:	Fundamental Finance		
Course code:	BAFI 550	Credits:	1.5
Session, term, period:	2021 W1 (Nov-Dec)	Class location:	HA 133
Section(s):	001	Class times:	M/W8:00-10:00
Course duration:	Nov 1 – Dec 13, 2021	Pre-requisites:	None
Division:	Finance	Co-requisites:	None
Program:	MBA		

INSTRUCTOR INFORMATION

Instructor:	Professor Glen Donaldson	Office Location:	HA881 and Online
Phone:	604-822-8344	Office hours:	By appointment
Email:	glen.donaldson@sauder.ubc.ca		

COURSE FORMAT

Classes consist primarily of lectures and discussions in which students are expected to participate. Students are also expected to work through applied problems both in and outside of class, keep a daily journal of independent learning and course participation, and complete a group project involving applied finance research and analysis.

COURSE DESCRIPTION

This course investigates fundamental topics in finance, including:

- financial managers, financial markets, and business formation and management
- the time value of money, financial valuation, and investment decisions
- methods of business financing and concepts in capital budgeting and capital structure
- the valuation of financial instruments including stocks and bonds
- the nature of risk and return in investments, diversification and trade-offs between risk and return
- insurance, derivatives (options, futures, swaps), and risk management fundamentals
- roles of financial institutions, including banks
- the financial lifecycle, including venture capital, IPOs, mergers & acquisitions

Frequently asked questions about taking BAFI 550 vs BAFI 500:

1. Question: Should I take BAFI 500 or BAFI 550 as my first finance course?

Answer: It depends on your objective. BAFI 550 (this course) is targeted at students who desire a fundamental understanding of a broad range of issues in finance and are not yet sure if they will take follow-on finance courses. This one course, BAFI 550, covers at a high level (broad but not as deep) roughly the sort of content that is typically covered at a much deeper and more technical level in the 3-course combination of: BAFI 500 (introductory finance), BAFI 502 (corporate finance) and BAFI 511 (investments); plus this course, BAFI 550, touches on some additional topics (e.g., in international finance, mergers & acquisitions, risk management, etc.). Students who desire a

deeper and more technical investigation, and who plan to specialize in finance, should consider taking all of: BAFI 500, BAFI 502 and BAFI 511 as their foundation rather than this single fundamental course BAFI 550.

Historically, roughly 70% of the MBA class takes BAFI 550, and 30% takes BAFI 500, as their first finance course, although this varies from year-to-year.

2. Question: If I take BAFI 550 (this course), rather than BAFI 500 as my first finance course, can I then take BAFI 502 (corporate finance) and BAFI 511 (investments) the following period?

Answer: Yes, students who start with BAFI 550, rather than BAFI 500, and subsequently want to take BAFI 502 and BAFI 511 can do so, but may have to catch up on some technical details covered in BAFI 500 that may not be in BAFI 550.

3. Question: What if I take BAFI 550, rather than all of the 3-courses BAFI 500/502/511, as my foundation, can I still take upper-level finance electives in Periods 3, 4, 6 and 7, such as International Finance, Mergers & Acquisitions, Venture Capital, and so forth?

Answer: Yes, many upper-level finance courses require either BAFI 550 or some combination of BAFI 500/502/511 as the pre-requisite. If you do take BAFI 550, but not BAFI 502/511, you may need to catch up on some technical and/or topical details, especially for some of the more technically-oriented electives. Check with the MBA office for more information.

LEARNING OBJECTIVES

By the end of this course, students should be able to analyze, apply and explain fundamental issues, concepts and methods in finance.

ASSESSMENTS

Problem Set 1 (online problem set)	10%
Problem Set 2 (online problem set)	10%
Problem Set 3 (online problem set)	10%
Problem Set 4 (online problem set)	10%
Course Journal (learning and participation)	10%
<u>Term Project (group research/analysis project)</u>	<u>50%</u>
Total	100%

LEARNING MATERIALS

Textbook - REQUIRED:

Fundamentals of Corporate Finance, Third Canadian Edition, by Jonathan Berk, Peter DeMarzo, Jarrad Harford, David Stangeland and Andras Marosi. Pearson Canada 2020

Optional Additional Learning Resources – NOT REQUIRED but may be useful for some students:

MyFinanceLab (access is acquired when purchasing the textbook) – contains practice problems.

MyFinanceLab Course ID: donaldson29305

COURSE-SPECIFIC POLICIES AND RESOURCES

Missed or late assignments, and regrading of assessments

Late submissions, or missed exams/quizzes, will receive a grade of zero unless academic concession is granted (see below). [Academic Concessions](#)

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](#) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

Attendance

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

COVID-19 Policies for Attendance & Academic Concessions:

If a student feels unwell, they should stay home and send a courtesy email to each impacted instructor and cc their program manager. The student should also submit an [Academic Concession Request & Declaration Form](#).

If a student suspects possible Covid-19 infection, they should use the BC Ministry of Health's [selfassessment tool](#), to help determine whether further assessment or testing for COVID-19 is recommended.

If a student is required to self-isolate (e.g., while waiting for test results), they should follow the steps above (stay home, email instructor(s) and program manager, submit an [Academic Concession Request & Declaration Form](#), and follow BC Health Guidance.

Students who are required to quarantine, should get in touch with their Program Manager to discuss the possibility of academic concessions for each impacted course. The Program Manager will work closely with your instructors to explore options for you to make up the missed learning.

COVID-19 Safety in the Classroom:

Masks: Masks are required for all indoor classes, as per the BC Public Health Officer orders. For our inperson meetings in this class, it is important that all of us feel as comfortable as possible engaging in class activities while sharing an indoor space. For the purposes of this order, the term "masks" refers to medical and non-medical masks that cover our noses and mouths. Masks are a primary tool to make it harder for Covid-19 to find a new host. You will need to wear a medical or non-medical mask for the

duration of our class meetings, for your own protection, and the safety and comfort of everyone else in the class. You may be asked to remove your mask briefly for an ID check for an exam, but otherwise, your mask should cover your nose and mouth. Please do not eat in class. If you need to drink water/coffee/tea/etc, please keep your mask on between sips. Students who need special accommodation are asked to discuss this with the program office.

Seating in class: To reduce the risk of Covid transmission, please sit in a consistent area of the classroom each day. This will minimize your contacts and will still allow for the pedagogical methods planned for this class to help your learning.

Visit the following website for the most recent updates regarding Covid-19 protocol on campus: <https://students.ubc.ca/campus-life/returning-to-campus>

Punctuality

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

Electronic Devices

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

Citation Style

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resourcesupport-student-success>.

Respect for Equity, Diversity, and Inclusion

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

Academic Integrity

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work; nor should you help others to do the same. For example, it is prohibited to: share past assignments and answers with other students; work with other students on an assignment when an instructor has not expressly given permission; or spread information through word of mouth, social media, or other channels that subverts the fair evaluation of a class exercise, or assessment. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

Academic Freedom and Students Studying from Outside Canada

Some UBC courses might cover topics that are censored or considered illegal by non-Canadian governments. This may include, but is not limited to, human rights, representative government, defamation, obscenity, gender or sexuality, and historical or current geopolitical controversies. If you are a student living abroad, you will be subject to the laws of your local jurisdiction, and your local authorities might limit your access to course material or take punitive action against you. UBC is strongly committed to academic freedom, but has no control over foreign authorities (please visit <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=3,33,86,0> for an articulation of the values of the University conveyed in the Senate Statement on Academic Freedom). Thus, we recognize that students will have legitimate reason to exercise caution in studying certain subjects. If you have concerns regarding your personal situation, consider postponing taking a course with manifest risks, until you are back on campus or reach out to your academic advisor to find substitute courses. For further information and support, please visit: <http://academic.ubc.ca/support-resources/freedom-expression>

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ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwməθkwəyəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

ONLINE TEACHING TOOL & REQUIREMENTS

This course will be taught using Zoom for some office hours and potentially some classes. For this course, you are required to use a Zoom account during such times. If you do not have a Zoom account, you can create one here: <https://zoom.us/signup>. Note: creating a Zoom account requires that you provide a first name, last name, and email address to Zoom. For privacy purposes, you may consent to using your existing email address and your real name. Alternatively, if you prefer, you may sign up using an alternative email address and an anonymized name that does not identify you (i.e. Jane Doe, jane.doe@email.com). If you have trouble creating an account, or accessing a Zoom session, please contact CLCHelp@sauder.ubc.ca. You will be required to provide the email address associated with your Zoom account in a Canvas quiz for identification purposes. Students are expected to conduct themselves professionally by joining online sessions on time, muting mics when not speaking, refraining from using any other technology when in-session, attending in business casual attire (at a minimum), and participating from a quiet environment.

COURSE SCHEDULE (SUBJECT TO CHANGE)

Class	Topics	Readings /Activities	Assessments
Class 1 Nov 1	introduction to finance and this course corporate finance, the firm and financial managers	Ch 1, 2	
Class 2 Nov 3	the time value of money and financial valuation investment decisions and capital budgeting tools	Ch 3, 4 Ch 8(1 st half)	PS 1: due 8am Nov 8
Class 3 Nov 8	debt financing, global bond markets and bond valuation interest rates, currency exchange rates	Ch 6, 15 Ch 5(half), 22(half)	
Class 4 Nov 10	stocks markets, stock pricing, information in markets the nature of investment risk and return	Ch 7 Ch 10	PS 2: due 8am Nov 15
Class 5 Nov 15	diversification and investment portfolios Beta, asset pricing and the CAPM	Ch 11(1 st half) Ch 11(2 nd half)	
Class 6 Nov 17	corporate capital structure, cost of capital WACC corporate finance decisions, insurance	Ch 16, 12(1 st half) Ch 21(1 st half)	PS 3: due 8am Nov 22

Class 7 Nov 22	derivatives - forwards, futures, swaps options and risk management	Ch 21(2 nd half) Ch 13	
Class 8 Nov 24	cash management and working capital financial institutions, banks, securitization	Ch 19(half),20(half) Ch 1	PS 4: due 8am Nov 29
Class 9 Nov 29	financial lifecycle: venture capital to IPO financial lifecycle: mergers & acquisitions to exit	Ch 14 Ch 24	
Class 10 Dec 1	corporate governance, risk, investment pitfalls (asynchronous)	Ch 25	
Exam week	Final Project – form a team, pick a company that recently experienced an IPO or M&A, analyze the company (Beta, capital structure, etc.) relative to its peers, and also analyze its IPO/M&A event	no classes, final exam period	Project and Journal due 11:59pm Dec 10