

### COURSE INFORMATION

Course title:	Corporate Finance	Credits:	1.5
Course code:	BAFI 502	Class location:	Online
Session, term, period:	2022W Term 2	Class times:	March 11-12, 8am-1pm Shanghai Time
Section(s):	821	Pre-requisites:	BAFI500
Course duration:	Feb 10-Apr 1, 2023	Co-requisites:	n/a
Division:	Finance		
Program:	IMBA		
Zoom link:	<a href="https://ubc.zoom.us/j/5885465646">https://ubc.zoom.us/j/5885465646</a>		

### INSTRUCTOR INFORMATION

Instructor:	Jack Favilukis	Office link:	See Canvas site
Phone:	604-822-9414	Office hours:	By appointment
Email:	<a href="mailto:jack.favilukis@sauder.ubc.ca">jack.favilukis@sauder.ubc.ca</a>		

### COURSE DESCRIPTION

This course covers five topics:

(1) capital budgeting, (2) capital structure, (3) payout policy, (4) valuation with leverage, and (5) private equity and venture capital.

The first deals with forecasting a project's earnings, identifying its free cash flow, calculating its cost of capital, computing its NPV, and analyzing it. The second deals with a firm's financing decisions, including the role taxes, bankruptcy/distress costs, information asymmetries, and agency problems. The third deals with a firm's decision whether to pay out its excess cash to investors or to retain it in the firm, and whether to do it using dividends or repurchases. The fourth deals with the impact of debt financing on capital budgeting decisions, focusing on the weighted average cost of capital, cash flow to equity, and the adjusted present value methods for valuing firms. The fifth is an introduction to private equity and venture capital financing and will be covered only if we have time. The course will be useful to students considering careers in corporate finance, investment banking, commercial banking, and consulting.

### COURSE FORMAT

The course format will be approximately 12 hours of pre-recorded video lectures on Canvas and reading of book chapters (self-directed study), followed by 10 hours of live lectures on Zoom during scheduled class times. The students are expected to watch the video lectures before starting the live lectures.

### LEARNING OBJECTIVES

The course's goal is to introduce students to various financing decisions made by firms. At the end of the course, students will be able use projected cash flows to value a firm under alternative financing scenarios. They will be able to describe trade-offs associated with various financing scenarios, and choose the optimal one.

## ASSESSMENTS

### Summary

<u>Component</u>	<u>Weight</u>
Participation (Quizzes following each video lecture)	25%
Take-home quiz	25%
Final exam	50%
Total	<u>100%</u>

### Details of Assessments

The course will be curved to have an average of 80, as recommended by Sauder for all MBA courses. The participation grade is based on quizzes at the end of each video lecture. These quizzes are due no later than March 9<sup>th</sup>, 11:59pm, however, I recommend that you finish them much earlier, in case you encounter technical difficulties.

A take home quiz will be due March 19<sup>th</sup>. You can submit this quiz by email. This is to test your knowledge and understanding for the final exam.

The final exam will be a take home exam and will be happen on Apr 1, 9-11am Shanghai time. It will be open book and be invigilated by me or a TA. All of these assessments are to be worked on individually.

## LEARNING MATERIALS

Required: Berk, DeMarzo, Corporate Finance, 5th Global Edition (BD) (3<sup>rd</sup> or 4<sup>th</sup> edition is ok too). Please read all assigned book chapters before the associated video lecture.

## COURSE-SPECIFIC POLICIES AND RESOURCES

### Missed or late assignments, and regrading of assessments

Late submissions will not be accepted and will receive a grade of zero.

### 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.

### 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.

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-resources-support-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. 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*

During this pandemic, the shift to online learning has greatly altered teaching and studying at UBC, including changes to health and safety considerations. Keep in mind that 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>

### COPYRIGHT

All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. Any lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may the lecture recording or part of the recording be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without the prior consent of the instructor. Students may not share class Zoom links or invite others who are not registered to view sessions.

### 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 synchronous classes and office hours. For this course, you are encouraged to use a Zoom account during synchronous classes and office hours. 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](mailto:jane.doe@email.com)). If you have trouble creating an account, or accessing a Zoom session, please contact [CLCHelp@sauder.ubc.ca](mailto: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.

To help replicate the classroom experience, make sessions more dynamic and hold each person accountable, both students and instructors are required to have their cameras on during Zoom sessions. Students who require an accommodation with regard to the "camera on" requirement must contact their instructors in advance of the first class to discuss options. As professional graduate students, students are expected to conduct themselves professionally by joining sessions on time, muting mics when not speaking, refraining from using any other technology when in-session, attending in business casual dress (at a minimum), and participating from a quiet environment. Content from synchronous sessions will be selectively recorded per instructor discretion and made available to students on Canvas for a maximum duration of the course length. This is done to allow students the opportunity to return to lecture content to solidify learnings.

**COURSE SCHEDULE**

(Subject to change with class consultation)

- Before March 11                      Book chapters and videos on Canvas
- March 11, 8am – 1pm                Webinar (link at top of syllabus)
- March 12, 8am – 1pm                Webinar (link at top of syllabus)

Class	Date	Topic	Readings
1	Before March 11	Introduction and CAPM overview	BD 2, 11
2	Before March 11	Capital Budgeting	BD 8
3	Before March 11	Cost of Capital	BD 12
4	Before March 11	Modigliani-Miller	BD 14, 15
5	Before March 11	Theories of Capital Structure	BD 16
6	Before March 11	Payout Policy	BD 17
7	March 11	Capital Budgeting and Valuation with Leverage	BD 18
8	March 11	RMS Case	
9	March 11-12	Scout24 Case	
10	March 12	Geeli Case	
11	March 12	Succession or Exit case	
12	March 12	Private Equity (time permitting)	BD 23, 28