

<b><u>COURSE TITLE:</u></b>	Corporate Finance
<b><u>COURSE CODE:</u></b>	ECON 3066
<b><u>COURSE TYPE:</u></b>	Elective
<b><u>COURSE LEVEL:</u></b>	III
<b><u>SEMESTER:</u></b>	II
<b><u>DEPARTMENT:</u></b>	Economics
<b><u>FACULTY:</u></b>	Social Sciences
<b><u>CREDITS:</u></b>	3
<b><u>PREREQUISITES:</u></b>	ECON2000– Intermediate Microeconomics I

### **INSTRUCTOR INFORMATION:**

**Lecturer:** Ricardo Lalloo

**Office:** Room 222

**Email:** [ricardo.lalloo@sta.uwi.edu](mailto:ricardo.lalloo@sta.uwi.edu) (preferred mode of contact)

**Phone** 1-868-662-2002 ext. 85281

**Office hours:** To be advised

### **COURSE DESCRIPTION**

This course introduces the theory and practice of corporate finance. It covers contemporary topics such as asset pricing, hedging, risk management, and corporate governance.

### **COURSE RATIONALE**

The Financial Sector is a critical part of any economy with deep ties to Economic Development and Growth. As such, Economists should be acquainted with the major concepts in finance as well as contemporary issues surrounding the area. This course not only provides students with such but also builds the financial and quantitative analytical skills needed to pursue careers in the financial sector.

## **COURSE LEARNING OUTCOMES**

At the end of this course the successful student will be able to:

1. Price financial assets using appropriate techniques
2. Compute the Present Value/Future Value of different financial assets
3. Distinguish between different types of interest rates
4. Apply different interest rates to various assets
5. Use bonds to immunize liabilities
6. Choose between projects using Net Present Value, Internal Rate of Return and Payback Period
7. Compute the risk of a portfolio of assets
8. Distinguish between the different type of risk preferences
9. Explain the various degrees of risk aversion
10. Demonstrate profit under futures and forwards contracts
11. Compute the optimal hedge ratio under futures contracts
12. List and explain the different bounds of options contracts

## **COURSE CONTENT:**

The topics to be covered are

- Present/future value analysis
- Capital budgeting
- Risk and return
- Stocks and bonds valuation
- Options valuation
- Futures and forward markets
- Portfolio management
- Risk management
- Corporate governance and control
- Corporate restructuring

**REQUIRED TEXT: Brealey, R., S. Myers and F. Allen (2007) Principles of Corporate Finance, McGraw**

## **COURSE CALENDAR**

Week	Activity
1	Lecture #1; Introduction/ Review of Math Concepts
2	Lecture #2; Interest Rates and Present Value/Future Value
3	Lecture #3; Bond Pricing [Tutorials Begin]
4	Lecture #4; Stock Pricing
5	Lecture #5; Capital Budgeting
6	Lecture #6; Risk and Return
7	Lecture #7; No Lecture [Carnival Monday and Tuesday]
8	Lecture #8; Risk and Return
9	Lecture #9; Midterm Exam
10	Lecture #10; Futures and Forwards Markets
11	Lecture #11; Futures and Forwards Markets
12	Lecture #12; Options Pricing
13	Course Wrap Up

## **TEACHING STRATEGY**

This course would be delivered by face to face lectures, demonstrations, problem-based learning activities and co-operative learning strategies. These strategies will seek to deepen students' knowledge and understanding of the course content as well as build students' confidence in the subject matter.

Students will be provided a minimum of three (3) contact hours weekly.

## COURSE ASSESSMENT

Assessment	Learning Outcomes												Weighting %	Assessment Description	Duration
	1	2	3	4	5	6	7	8	9	10	11	12			
Midterm Exam	✓	✓	✓	✓	✓	✓							20%	In-course assessment	1 hour
Final Exam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	80%	Final Examination	2 hours

The **Final Examination** at the end of the Semester will be based on the entire course.

The Overall Mark in the course will therefore be a composite of the marks obtained in the coursework and final examination components. The pass mark for this and all courses is 50%.

## EXPECTATIONS

As a student enrolled in *Corporate Finance*, I expect that you will be fully engaged in both the traditional classroom and tutorials. Research has shown that students learn best through collaboration and interaction, so I encourage you to participate in and complete all assignments and classroom activities

## CLASS ATTENDANCE POLICY

Regular class attendance is essential. A student who misses a class will be held responsible for the class content and for securing material distributed. Attendance is the responsibility of the student and consequently nonattendance will be recorded. Students would be reminded of the implications of non-responsible attendance.

## EXAMINATION POLICY

Please review the handbook on *Examination Regulations for First Degrees, Associate Degrees, Diplomas, and Certificates* available via the Intranet.

## POLICY REGARDING CHEATING

Academic dishonesty including cheating is not permitted. For more information, read Section V (b) Cheating in the *Examination Regulations for First Degrees, Associate Degrees, Diplomas, and Certificates* online via the Intranet.

## STATEMENT OF DISABILITY PROCEDURES

The University of the West Indies at St. Augustine is committed to providing an educational environment that is accessible to all students, while maintaining academic standards. In accordance

with this policy, students in need of accommodations due to a disability should contact the Academic Advising/Disabilities Liaison Unit (AADLU) for verification and determination as soon as possible after admission to the University, or at the beginning of each semester.

### **POLICY REGARDING INCOMPLETE GRADES**

Incomplete grades will only be designated in accordance with the University's Incomplete Grade Policy.

### **READING LIST**

Additional readings will be selected articles at the end of each chapter in the text.

### **GRADING SYSTEM**

<b>2014/2015 Grading Policy</b>		
<b>Grade</b>	<b>Quality Points</b>	<b>Mark%</b>
<b>A+</b>	<b>4.3</b>	<b>90-100</b>
<b>A</b>	<b>4.0</b>	<b>80-89</b>
<b>A-</b>	<b>3.7</b>	<b>75-79</b>
<b>B+</b>	<b>3.3</b>	<b>70-74</b>
<b>B</b>	<b>3.0</b>	<b>65-69</b>
<b>B-</b>	<b>2.7</b>	<b>60-64</b>
<b>C+</b>	<b>2.3</b>	<b>55-59</b>
<b>C</b>	<b>2.0</b>	<b>50-54</b>
<b>F1</b>	<b>1.7</b>	<b>45-49</b>
<b>F2</b>	<b>1.3</b>	<b>40-44</b>
<b>F3</b>	<b>0.0</b>	<b>0-39</b>