

MFIN 710 Winter 2025

**MFIN 710
Financial Theory
Winter 2025 Course Outline**

**C01: Mondays 8:30 – 11:20
C02: Wednesdays 8:30 – 11:20**

**Finance Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

This course provides an in-depth review of the practical implementation of key conceptual foundations of Financial Theory as applied in practice today. A major component of the course involves the use of a Corporate Finance simulation exercise, delivered via FINSIMCO (<https://finsimco.com>), where student groups role-play key Investment Banking functions in the M&A lifecycle of 2 firms in different industries

INSTRUCTOR AND CONTACT INFORMATION

Dr. Andrew Aziz
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Office Hours: TBD
437-991-1876

TA Name: TBD
TA Email: TBD
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TA Office Hours: TBD
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COURSE ELEMENTS

Credit Value: 3	Leadership: No	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: No	Final Exam: Yes	Guest speaker(s): Yes

COURSE DESCRIPTION

MFIN 710 will explore the theoretical and conceptual foundations of finance as well as their use in practice and the associated implementation challenges. The course covers topics across Investment Finance, Corporate Finance and Financial Intermediation and addresses techniques of corporate valuation, asset pricing, risk analytics, and behavioural finance.

Building upon the theoretical principles underlying Modern Portfolio Theory, MFIN 710 will cover the practical challenges of implementing the theory as well as the industry usage of advanced Factor Models, Goals Based Investing and other aspects of Behavioural Finance

Issues in Corporate Finance and the role of Financial Intermediation will be covered in the course as well as a review of the causes of the banking sector volatility of 2023, including an analysis of the conditions that led to downfall of Silicon Valley Bank (SVB).

A major component of the course involves the use of an Investment Banking simulation exercise, delivered via FINSIMCO (<https://finsimco.com>), where student groups role-play Sell-Side and Buy-Side personas for the M&A lifecycle of two firms of different industries, Star Hotel and Frametastic.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Understand and apply the main theories of the pricing of financial assets.
- Apply main theories regarding valuation and corporate financial decisions in a risky environment
- Apply the techniques of corporate valuation, in the context of M&A advisory/negotiation
- Use appropriate statistical methods to evaluate asset pricing models.
- Use software to manipulate financial data and present results of model application.

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REQUIRED COURSE MATERIALS AND READINGS

- Financial Theory and Corporate Policy by T.E. Copeland, J.F. Weston, 3rd ed., PDF will be provided
- FINSIMCO on-line access and supporting materials
- Supplemental readings will be distributed via Avenue to Learn (A2L)

\$ FREE

EVALUATION

Assessment will be based on a combination of individual tests, assignments and a group project. Students are encouraged to think, analyze, evaluate, and problem-solve, not memorize. Students are expected to come to class on time and be prepared for the class, i.e., to have read the assigned readings and to have done the assigned problems. The final grade will be calculated as follows:

Components and Weights

Final	40%
Midterm	20%
Assignments (2)	10%
FINSIMCO	30%
Total	100%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

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Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Course Deliverables

Assignments

There will be 2 group assignments, each worth 5% of your final grade totaling 10% in aggregate. Groups will be assigned and will be comprised of up to 4 members

Midterm

There will be one in class midterm examination in this course that accounts for 20% of your grade. Content will cover roughly the first 50% of the course material

FINSIMCO simulation

There will be 4 in class simulation rounds, delivered on-line via FINSIMCO, that accounts for 30% of the total grade, where groups role-play Sell-Side and Buy-Side personas for the M&A lifecycle of two firms

Final Exam

There will be one in class final examination in this course that accounts for 40% of your grade. It will be cumulative with content covering roughly 25% of course material prior to the midterm and 75% of course material after the midterm

COMMUNICATION AND FEEDBACK

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

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Students are responsible for being aware of and demonstrating behaviour that is honest and ethical in their academic work. Such behaviour includes:

- following the expectations articulated by instructors for referencing sources of information and for group work;
- asking for clarification of expectations as necessary;
- identifying testing situations that may allow copying;
- preventing their work from being used by others (e.g., protecting access to computer files); and
- adhering to the principles of academic integrity when conducting and reporting research.

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx, Teams, or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ATTENDANCE

Arriving late or missing class disrupts the learning experience for both you and your peers. Punctuality and attendance are crucial to maintaining a respectful, professional and productive environment for everyone, including our faculty.

Instructors may use Top Hat in their course in a variety of ways, including to capture attendance in their classes. Attendance is recorded by submitting a unique 4-digit code displayed in your physical classroom using your personal device.

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Please do not use the online [McMaster Student Absence Form \(MSAF\)](#) as this is for Undergraduate students only. The MFin program will not accept an MSAF.

If you have missed a portion of your term work for legitimate reasons, as determined by the MFIN Program Office, the weight for that missed term work will be redistributed across the other assignments and exams of the course.

For missed work, forms and supporting documentation must be submitted to the MFIN Program Office within five (5) business days of missing the work or mid-term exam.

If you know you will miss a portion of evaluated term work, you can request relief/special arrangement in advance. Supporting documentation must be submitted to the MFIN Program Office at least ten (10) working days before the mid-term exam, test, assignment, etc.

Please complete the [Petition for Missed Term Work](#) form in addition to:

- For medical reasons, you must provide the [McMaster University Student Health Certificate](#) and for extenuating circumstances, appropriate documentation.
- For varsity reasons, have a designated University official provide a letter on University letterhead; or
- For religious reasons, have your religious leader provide a letter stating that you are unable to be present due to a religious obligation.

The request must be handled by the MFIN Program Office. The appropriate distribution of re-weighting term work will be determined by the instructor.

Submitting a request does not guarantee approval or special consideration.

The full Missed Coursework policy can be found on the DeGroote MFin Student website (<https://mfin.degroote.mcmaster.ca/current-students/missed-term-work/>). Please direct any questions about acceptable documentation to the MFin Program Administrator or MFin Program Coordinator (mfin@mcmaster.ca).

If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.

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Missed Final Examinations

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the Student Experience Office to write a deferred examination by submitting an [Application for Deferring an MFin Final Exam](#) with supporting documentation. The application must be made within five days of the scheduled exam.

The [Application for Deferring an MFin Final Exam](#) and the [MFin Student McMaster University Student Health Certificate](#) can be found on the DeGroote MFin Current Student website (<https://mfin.degroote.mcmaster.ca/current-students/>)

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

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ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to the Student Experience Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

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ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MFIN 710 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

ARTIFICIAL INTELLIGENCE

This is where you include your statement on artificial intelligence and its use in your class. Can refer to this page for additional information and guidelines: [Generative Artificial Intelligence - Academic Excellence - Office of the Provost \(mcmaster.ca\)](#)

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COURSE SCHEDULE

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WEEK	DATE	ASSIGNMENT
1	Jan. 06/08	Overview, Financial System, Consumption & Investment <i>Readings:</i> - CW: Chapters 1, 2, 4
2	Jan. 13/15	No-Arbitrage Pricing, IR Term Structure, Impact of Credit Risk <i>Readings:</i> - CW: Chapters 5, Supplemental - to be posted
3	Jan. 20/22	Portfolio Selection in Practice, Advanced factor models <i>Readings:</i> - CW: Chapters 6, 7, Supplemental - to be posted
4	Jan. 27/29	Introduction to Behavioral Finance <i>Readings:</i> - CW: Chapters 10, 11, Supplemental - to be posted
5	Feb. 03/05	Goal Based Portfolio Choice <i>Readings:</i> - Supplemental - to be posted
6	Feb. 10/12	Bank Balance Sheet Management, Silicon Valley Bank Demise <i>Readings:</i> - Supplemental - to be posted
7	Feb. 17/19	Reading Week
8	Feb. 24/26	Midterm
9	Mar. 03/05	Corporate Finance, Capital Structure, Cost of Capital <i>Readings:</i> - CW: Chapter 13, 14
10	Mar. 10/12	Investment Banking Simulation Exercise (FINSIMCO) <i>Round 1:</i>
11	Mar. 17/19	Investment Banking Simulation Exercise (FINSIMCO) <i>Round 2:</i>

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WEEK	DATE	ASSIGNMENT
12	Mar. 24/26	Investment Banking Simulation Exercise (FINSIMCO) <i>Round 3:</i>
13	Mar. 31/02	Investment Banking Simulation Exercise (FINSIMCO) <i>Round 4:</i>
14	Apr. 07/09	Catch-up & Review