

Economics 499.57 (L01) (Selected Topics in Economics II: Business Applications)

Instructor: Heidi Esau

Phone:

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Lecture Location: SA 129

Lecture Days/Time: W 5:00-7:45 PM

Office: SS344

Office Hours: M/W 2:00-3:00 PM

(Winter 2020)

Course Description:

This course provides students with the opportunity to extend and apply key concepts introduced in Econ 301 and Econ 357. The course will provide students with an opportunity to become familiar with, understand, and assess common business practices based on their microeconomic background and expertise. The emphasis is not only on developing familiarity student with basic accounting and finance, but on using the student's microeconomic background to assess and critique common business practice.

Course Objectives/Learning Outcomes:

The objective is to provide students with the opportunity to develop expertise in the application and utilization of theory, gain familiarity with business practice and Excel, and gain a greater appreciation for the strengths and limitations of microeconomic analysis. The intent is to demonstrate how to measure and implement concepts in the theory of the firm, inter-temporal choice, and choice under uncertainty. In this respect the objective is for students to develop an understanding and a critical appreciation of financial statements, financial markets, corporate finance, and project evaluation. Completion of this course will provide students with an understanding of basic finance and accounting, as well as the use of Excel.

Course Outline:

1. Accounting Basics

1.1. Understanding Financial Statements

1.1.1. Income Statement

1.1.2. Balance Sheets

1.1.3. Statement of Changes in Financial Position

1.1.4. Accounting Treatments and Economics

1.1.5. Economic Value Added

1.1.6. Market Value Added

2. Inter-temporal Choice

2.1. Valuing Cash Flows

2.1.1. Economic Equivalence and the Time Value of Money

2.1.2. Discounted Cash Flow Analysis

2.1.2.1. Compound versus Simple Interest

2.1.2.2. Continuous Compounding

2.1.3. What is the Appropriate Interest Rate?

- 2.1.4. Real World Complications
 - 2.1.4.1. Differences in Frequency of Payment and Compounding
 - 2.1.4.2. Changing Interest Rates
 - 2.1.4.3. Inflation
 - 2.1.4.3.1. Nominal versus Real Interest Rates
- 2.2. Project Analysis: Under Certainty
 - 2.2.1. Project Evaluation
 - 2.2.1.1. Independent and Mutually Exclusive Projects
 - 2.2.1.2. Determining Project Cash Flows
 - 2.2.2. Project Evaluation Decision Tools
 - 2.2.2.1. Present Value Analysis
 - 2.2.2.2. Rate of Return and Internal Rate of Return Analysis
 - 2.2.2.3. Annual Equivalent Cost
 - 2.2.2.4. Payback Periods
 - 2.2.3. Replacement Analysis
- 2.3. Project Analysis: Under Uncertainty
 - 2.3.1. Source of Project Risk
 - 2.3.2. Incorporating Project Risk
 - 2.3.3. Real Options Approach
 - 2.3.3.1. The Implications of Irreversibility
- 3. Assessing Firm Performance
 - 3.1. Cost Concepts in Practice
 - 3.1.1. Determining Opportunity Costs
 - 3.1.1.1. Sunk vs Avoidable
 - 3.1.1.2. Fixed vs Quasi-Fixed
 - 3.1.1.3. Long-Run vs Short-Run
 - 3.1.2. Durable Inputs
 - 3.1.2.1. Economic Depreciation
 - 3.1.2.2. User Cost of Capital
 - 3.1.2.3. Historic Costs, Opportunity Costs, and Replacement Costs
 - 3.2. Ricardian Rents, Economic Profit, and Market Power
 - 3.2.1. Economic Profits
 - 3.2.2. Ricardian Rents
 - 3.2.3. Monopoly Profits
 - 3.2.4. Regulated Rates of Return
- 4. An Introduction to the Economics of Financial Markets
 - 4.1. Long-Term Financing Decisions
 - 4.1.1. Leverage
 - 4.1.2. Capital Structure of the Firm
 - 4.1.2.1. Strategic Considerations: Signalling
 - 4.1.3. Cost of Capital
 - 4.2. Financial Markets
 - 4.2.1. Efficient Markets
 - 4.2.2. Portfolio Theory
 - 4.2.3. Asset Pricing Theories and Models

Prerequisites/corequisites:

Economics 357, familiarity with Excel an advantage.

Required Textbook(s):

Fundamentals of Corporate Finance, 10th Canadian Edition by Ross, Westerfield, Jordan, and Roberts

Books on Reserve:

Fundamentals of Corporate Finance, 10th Canadian Edition by Ross, Westerfield, Jordan

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Grade Determination and Final Examination Details:

MIDTERM EXAMS	20%	In class – March 4th
FINAL EXAMINATION	40%	
ASSIGNMENTS (4)	40%	4x10% due: Feb 5, Feb 26, Mar 25, Apr 15
	100%	

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

The format of the assignments and the midterms will be discussed during the first week of lectures. Assignments must be submitted to D2L by 11:59pm on each stated due date.

Late assignments will not be accepted.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be an open-book, take-home exam. The exam will be available on D2L 24 hours before the end of the Registrar's scheduled final exam time. Students will hand in their exam in pdf format on D2L prior to the end of the scheduled completion time of their final exam using DropBox. If a student cannot write their final exam during this interval, they need to apply for a deferred exam at www.ucalgary.ca/registrar/exams/deferred_final. Under no circumstance will this be accommodated by the Department.

Tests and exams WILL NOT involve multiple choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

The midterms will be written during class time on the dates specified in the above course outline.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades and Intellectual Honesty:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Statement of Intellectual Honesty, see Calendar K.4

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

Plagiarism and Other Academic Misconduct, see Calendar K.5

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf.

Internet and Electronic Communication Device information:

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note taking only unless otherwise authorized by the instructor.

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Recording of Lectures:

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: www.fasaucalgary.ca.

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds' Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.

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2019-11-28

Changes (Effective on Thursday, March 19):

- The Department of Economics has decided that we should not be meeting with students on campus for any reason, nor should students be meeting with each other in a face-to-face format. All contact should be moved to virtual channels.
- The main interaction is via online communication tools.
 - I will post announcements on D2L Newsfeed. If announcements are important/urgent, I will also email you using the class mail-list.
 - I will mainly use D2L Discussion Forum for Q&A and open discussion.
 - My office hours take place in the regular hours using Zoom, email and discussion boards. I will use the “waiting room” feature when possible or you can email me in advance to choose an appointment time.
- Please read any emails coming from myself (the instructor; heidi.esau@ucalgary.ca) or the TA (Jingchi.yan1@ucalgary.ca) Please reach out to us with any questions you have. Also let us know if you do not have access to D2L at earliest convenience.

Classes

- All the class material will be posted to D2L so that students who are not able to attend the lecture still have access to the material.
- The material covered in each lecture (after March 19) will be all found in one D2L file named “Date” (e.g. March 19 will contain all the materials covered on March 19).
- Before each lecture, I post reading material/slides (starting on March 19).
- Q&A: During the class time, the students are asked to post their questions on D2L discussion forum to receive immediate response from the instructor and/or the TA.

Assignments

- All assignments are expected on their stated due date. Please submit your files into D2L Dropbox.

Final Exam

- The final exam is an **open-book take-home case**.
- You have **2 weeks** to complete the exam before the submission deadline. The case will be provided to you 2 weeks before the end of class (April 3)
- The submission deadline is **April 17**.
 1. **submit your files (Word/Excel/PDF) before the D2L Dropbox folder closes. The folder will close at the end time** of the exam. The most recent submission will be graded (i.e. you can submit multiple times).
- If you know that you will not have access to the D2L Dropbox on the exam date, please email me and Jingchi two days before the exam.
- **No late submission will be accepted.** If I do not **receive** your submission in time, you will receive no credit for the final exam.

- **Warning:** This is a take-home case. Please solve the case by yourself. No discussion will be allowed. If we find the same answers and the same mistakes, the students are suspected to have cheated. Both students will receive 0, regardless of who helped who.

Other Support

- I will ask the TA to actively help students to learn the course material using emails and other online communication tools. I will also ask her to share helpful resources for self-learning the material.

Disclaimer

- These arrangements are subject to change. I will adjust and improve the delivery as I experiment with the online course delivery systems available. I will post the changes on D2L and email to the class mailing list when I make important/major changes.

Other Notes

- Please understand that things are changing rapidly, and the proposed plans may need to be adjusted or abandoned should circumstances change.
- The primary goals are your health and safety, followed by trying to finish the semester with the best possible learning outcomes under the circumstances.

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2020-03-18