

Course Outline

Department of Accounting and Finance
School of Business and Economics

FNCE 4110-3
Advanced Financial Management for Accountants (3,0,0)

Calendar Description

Building on either FNCE 2120: Financial Management or FNCE 3120: Finance, students majoring in accounting further develop the knowledge and skills in business finance required for admission to the Chartered Professional Accountant program. Topics include dividend policy; advanced capital budgeting; maturity matching of assets and liabilities; short-and long-term financial planning; working capital management; sources of long-term financing; business valuation; mergers and acquisitions and corporate restructuring; bankruptcy, liquidation, and reorganization; and risk management.

Educational Objectives/Outcomes

Upon completing this course, students will be able to:

1. Formulate an appropriate dividend policy for a business.
2. Calculate the net present value of a new project or business venture using complex capital budgeting techniques under conditions of uncertainty.
3. Analyze the degree to which a company matches the maturity of its assets and liabilities and the problems mismatching may create.
4. Develop a financial plan for an organization which complies with its lending covenants and attains its financial and operational objectives.
5. Discuss how to effectively manage an organization's operating assets and liabilities and the types of short-term financing available.
6. Appraise the various forms of long-term debt and equity financing.
7. Measure the worth of a business using different valuation techniques.
8. Recommend an appropriate takeover bid for a business and suitable takeover defenses.
9. Develop a plan to successfully liquidate or reorganize a business that is experiencing financial difficulties.
10. Describe the different types of business risks and how they can be effectively hedged.

Prerequisites

FNCE 2120 (grade of C+ or better) or FNCE 3120 (grade of C+ or better); ECON 2330 or equivalent

Note: Students cannot receive credit for FNCE 4110 and either FNCE 4120 or FNCE 4130.

Co-requisites

None

Texts/Materials

Brealey, Myers, Marcus, Maynes, and Mitra, Fundamentals of Corporate Finance, McGraw Hill – Ryerson, 5th Canadian Edition, 2011.

Student Evaluation

Tests/quizzes	30-40%
Case studies/research projects/assignments	30%
Final exam	30-40%

Students must pass the final exam to pass the course.

Course Topics

1. Dividend Policy
 - Mechanics of dividends
 - Capital gains versus dividend income
 - Dividend payment
 - Dividend Reinvestment Plans (DRIPs)
 - Stock dividends, stock splits, reverse stock splits
 - Stock repurchases
 - Dividend policy – Is it relevant?
 - Transactions costs
 - Flotation costs
 - Irrational investor behaviour
 - Taxes
 - Agency costs
 - Asymmetric information
 - Dividend theories
 - Clientele Effect
 - Signalling Theory
 - Pecking Order Theory
 - Managed Dividend Theory
 - Other factors affecting dividend policy
2. Advanced Capital Budgeting
 - Capital budgeting methods
 - Payback

- Discounted Payback
 - Internal Rate of Return
 - Net Present Value
 - Modified IRR
 - Advanced NPV applications
 - Investment Tax Credits
 - Changes in net working capital over time
 - CCA, Recaptures, Terminal Losses, and capital gains
 - Effect of end-of-year cash flow discounting
 - Allowing for inflation – nominal and real approaches
 - Capital rationing
 - Hard and Soft Rationing
 - Methods of rationing capital
 - Profitability Indexes
 - Allocation using Solver
 - Comparing projects of varying lives
 - Incorporating risk
 - Reduced payback period
 - Risk-adjusted cost of capital
 - Sensitivity analysis
 - Scenario analysis
 - Simulation
 - Decision trees and management options
3. Matching the Maturity of Assets and Liabilities
- Why match maturities?
 - Aggressive and conservative strategies
4. Short- and Long-term Financial Planning
- Cash budgeting
 - Percentage-of-Sales Method
 - Sustainable Growth Rate
5. Working Capital Management
- Cash conversion cycle
 - Managing cash and temporary investments
 - Managing accounts receivable and credit policy
 - Managing inventory
 - Sources of short-term financing
 - Accrued expenses
 - Accounts payable and trade credit
 - Operating loans, lines of credit, revolving credit agreements
 - Specific assignment of accounts receivable
 - Factoring

- Securitization/structure financing
- Specific assignment of inventory
 - Trusts
 - Warehouse financing
 - Commercial paper and banker's acceptances
- Letters of credit

6. Sources of Long-term Financing

- Debt financing
 - Term loans
 - Mortgages
 - Leasing
 - Direct lease
 - Sale leaseback
 - Mezzanine financing
 - Project financing
 - Straight and convertible bonds
 - International debt financing
- Equity
 - Startup capital
 - Personal savings
 - Residential mortgages
 - Personal lines of credit
 - Credit cards
 - Family and friends
 - Swaps of business services for equity
 - Angels and venture capital
 - Limited partnerships
 - Joint ventures and strategic alliances
 - Franchises
 - Retained earnings
 - Common and preferred shares, rights and warrants, IPOs
 - International equity financing
 - Government financing programs
 - Business Development Bank of Canada (BDBC)
 - Export Development Corporation (EDC)

7. Business Valuations

- Valuation methods
 - Income approaches – DDM, FCFE, FCFF
 - Market multiples – P/E, P/BV, P/S, P/CF, EV/EBITDA
 - Asset based
- Valuation discounts and premiums

- 8. Mergers and Acquisitions (M&As) and Corporate Restructuring
 - Rationale for M&A
 - Types of M&A
 - Mergers – negotiation, proxy
 - Acquisition of stock – cash, swap
 - Acquisition of assets
 - Takeover bid process
 - Takeover defenses
 - Valuing takeover targets - income approach, comparable companies, comparable transactions
 - Divestitures, spin-offs, split-offs, and split-ups, tracking shares
- 9. Bankruptcy, Liquidation, and Reorganization
 - Causes of financial distress
 - Legal framework
 - Conditions for bankruptcy
 - Liquidation process
 - Reorganization process
- 10. Risk Management
 - Types of business insurance
 - Types of derivatives – options, futures, forwards, swaps
 - Hedging risks using derivatives
 - Commodity prices
 - Interest rates
 - Foreign currency

Methods for Prior Learning Assessment and Recognition

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

None

Use of Technology – Optional

None