



## Course Outline

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Accounting and Finance  
School of Business & Economics

FNCE 4110 - **3.00** - Academic

Advanced Financial Management for Accountants

## Rationale

Calendar description, educational outcomes, texts/materials, student evaluation, and course topics were changed

## Calendar Description

Building on FNCE 2120: Financial Management, 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; maturity matching of assets and liabilities; short-and long-term financial planning; working capital management; sources of temporary and permanent financing; advanced capital budgeting; business valuation; mergers and acquisitions and corporate restructuring; bankruptcy, liquidation, and reorganization; and risk management.

## Credits/Hours

**Course Has Variable Hours:** No

**Credits:** 3.00

**Lecture Hours:** 3.00

**Seminar Hours:** 0

**Lab Hours:** 0

**Other Hours:** 0

*Clarify:*

**Total Hours:** 3.00

**Delivery Methods:** (Face to Face)

**Impact on Courses/Programs/Departments:** No change

**Repeat Types:** A - Once for credit (default)

**Grading Methods:** (S - Academic, Career Tech, UPrep)

## Educational Objectives/Outcomes

1. Formulate an appropriate dividend policy for a business.
2. Analyze the degree to which a company matches the maturity of its assets and liabilities and the problemsmismatching may create.
3. Develop a financial plan for an organization which complies with its lending covenants and attains its operationaland financial goals and objectives.

4. Discuss how to effectively manage an organization's operating assets and liabilities and the types of temporary financing available.
5. Appraise the various forms of permanent debt and equity financing.
6. Calculate the net present value of a new project or business venture using complex capital budgeting techniques under conditions of uncertainty.
7. Measure the worth of a business using different valuation techniques.
8. Recommend an appropriate takeover bid for a business and suitable takeover defences.
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-Financial Management or equivalent with a minimum C+  
ECON 2330-Economics and Business Statistics 2 or equivalent with a minimum C-

## **Co-Requisites**

## **Recommended Requisites**

## **Exclusion Requisites**

FNCE 4120-Business Valuation and Restructuring  
FNCE 4130-Advanced Financial Management  
BBUS 4120-Bus Valuation & Restructuring  
BBUS 4130-Advanced Financial Management

## **Texts/Materials**

### **Textbooks**

1. **Required** Ross, Westerfield, Jordan, Roberts. *Fundamentals of Corporate Finance*, 9th Canadian ed. McGraw-Hill Ryerson, 2016

## **Student Evaluation**

The Course grade is based on the following course evaluations.

## **Course Topics**

1. Dividends and Dividend Policy

- Mechanics of dividends
  - Capital gains versus dividend income
  - Regular, extra, special and liquidating dividends
  - Dividend payment dates
  - Dividend reinvestment plans (DRIPs) and stock purchase plans (SPPs)
  - 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
- “Bird in hand” argument
  - Financial flexibility
  - Dividend theories
    - Clientele effect
    - Signalling theory
    - Pecking order theory
      - Pecking order theory
      - Managed dividend theory
- Other factors affecting dividend policy

## 2. Maturity Matching

- Why match maturities?
- Restrictive and flexible maturity matching policies
- Mismatching the average terms of long-term assets and liabilities
- Maturity matching in practice

## 3. Financial Planning and Growth

- Short-term financial planning
- Long-term financial planning Percentage-of-
  - sales method
- Sustainable growth rate

## 4. Working Capital Management

- Cash conversion cycle
- Managing cash and temporary investments
- Managing accounts receivable and credit policy
- Managing inventory
- Sources of temporary financing
  - Accounts payable and trade credit
  - Operating loans, lines of credit, revolving credit agreements
  - Specific assignment of accounts receivable
  - Securitization
  - Specific assignment of inventory
    - Trusts receipts
  - Warehouse financing
  - Factoring
  - Purchase order financing
  - Commercial paper and banker’s acceptances

## Letters of credit

### 5. Permanent Financing

#### Raising new capital

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

### 6. Advanced Capital Budgeting

#### Capital budgeting methods

- Payback
  - Discounted Payback
  - Internal Rate of Return
  - Net Present Value
  - Profitability index
- Advanced NPV applications
  - Investment Tax Credits
  - Allowing for inflation – nominal and real approaches
  - Changes in net working capital over time
  - CCA, recaptures, terminal losses, and capital gains
  - Effect of end-of-year cash flow discounting
- Capital budgeting with spreadsheets
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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  
Management options and decision trees

## 7. Business Valuation

- Valuation methods
  - Income approaches – DDM, FCFE, FCFF
  - Market multiples – P/E, P/BV, P/S, P/CF0, P/FCFE
  - Asset-based approach
- Suitability of valuation methods
- Control premiums and marketability discounts

## 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 defenses
- Calculating a tender offer
- 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

## **Last Action Taken**

Implement by Submission Preview Subcommittee Chair Joanne (Retired) Moores

Current Date: 28-Oct-20