



Course Outline

Accounting and Finance
School of Business & Economics
FNCE 4130 - **3.00** - Academic
Advanced Financial Management

Rationale

Minor updates to the Calendar Description, Educational Objectives/Outcomes, and Course Topics.

Calendar Description

Building on FNCE 2120: Financial Management, students further develop their knowledge and skills in business finance. Topics include corporate governance and executive/director compensation; dividends and dividend policy; matching the maturities of assets and liabilities; short-term and long-term financial planning; sustainable growth; working capital management and sources of temporary financing; sources of permanent financing; advanced capital budgeting under uncertainty; and optimal capital structure.

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. Evaluate an organization's corporate governance and executive/director compensation systems.
2. Formulate an appropriate dividend policy for a business.
3. Assess the degree to which a company matches the maturity of its assets and liabilities and the problems mismatching may create.
4. Develop a short-term and long-term financial plan for an organization which complies with its lending covenants and attains its operational and financial goals and objectives.

5. Manage a company's sustainable growth rate to minimize its dependence on external financing.
6. Manage an organization's operating assets and liabilities including its temporary financing.
7. Appraise the different forms of permanent debt and equity financing.
8. Calculate the net present value of a new project or business venture using complex capital budgeting techniques under conditions of uncertainty.
9. Determine a company's optimal capital structure.

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

BBUS 4130-Advanced Financial Management
FNCE 4110-Advanced Financial Management for Accountants

Texts/Materials

Other

1. **Required** "The Corporate Governance of Listed Companies: A Manual for Investors," CFA Institute Centre for Market Integrity, 2009.

"Building High Performance Boards," Canadian Coalition for Good Governance, 2013.

"Executive Compensation Principles," Canadian Coalition for Good Governance, 2013.

"Director Compensation Principles," Canadian Coalition for Good Governance, 2011.

Student Evaluation

The Course grade is based on the following course evaluations.

Tests/quizzes 30%

Case studies/research/projects/assignments 30%

Final exam 40%

Students must pass the final exam to pass the course.

Course Topics

1. Corporate Governance and Executive/Director Compensation
 - Goals of the firm and agency costs
 - Best practices for corporate governance
 - Best practices for executive/director compensation
2. Dividends and Dividend Policy

- Mechanics of dividends
- Regular, extra, special dividends
- Dividend payment dates
- Dividend reinvestment plans (DRIPs) and stock purchase plans (SPPs)
- Stock dividends, stock splits, reverse stock splits and liquidating dividends
- Stock repurchases
- Why are they so common?
- Mechanics of repurchasing stock
- Is dividend policy relevant?
- Transactions costs
- Issuance costs
- Irrational investor behaviour
- Taxes
- Agency costs
- Asymmetric information
- “Bird in hand” argument
- Financial flexibility
- Dividend theories
- Clientele effect
- Signalling theory
- Residual income theory
- Managed dividend theory
- Dividend policy in practice

3. Matching the Maturity of Assets and Liabilities

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

4. Financial Planning and Growth

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

5. Working Capital Management and Sources of Temporary Financing

- 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
- Banker’s acceptances
- Letters of credit

6. Sources of Permanent Financing

- Commercial lending
 - Commercial lenders
 - Lending and monitoring process
 - Term loans
 - Mortgages
 - Syndicated loans
 - Mezzanine financing
 - Bridge loans
 - Project financing
 - Loan securitization
 - Leasing
 - Operating versus financial leases
 - Pros and cons of leasing
 - Accounting for leases
 - Lease capitalization
 - Tax law changes
 - Calculating lease payments
 - Lease or buy decisions
 - Corporate bond financing
 - Financing with commercial loans, bonds, private placements
 - Covenants
 - Callable options and conversion features
 - Convertible bonds
 - Bond sinking funds
 - Bond credit ratings
 - Collateral, subordination and guarantees
 - Equity financing
 - Self-funding
 - Crowdfunding
 - Private equity
 - Angels
 - Venture capital
 - Franchising
 - Retained earnings
 - Common and preferred shares, rights offerings, warrants, IPOs
 - Public equity issuances
 - Limited partnerships
 - Joint ventures and strategic alliances
 - Employee stock ownership plans
 - Government financing programs
 - Business Development Bank of Canada (BDBC)
 - Export Development Corporation (EDC)
7. Advanced Capital Budgeting Under Uncertainty
- Capital budgeting process
 - Capital budgeting methods
 - Payback
 - Discounted Payback
 - Internal Rate of Return
 - Net Present Value
 - Profitability index
 - Advanced NPV applications
 - Investment Tax Credits

- Capital costs allowance (CCA)
 - 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
 - Changes in net working capital
 - Taxation effects on terminal cash flows
 - Recaptures, terminal losses and capital gains
 - Managing risk
 - Minimum payback period
 - Adjust the discount rate
 - Sensitivity and scenario analysis
 - Simulation
 - Management options and decision trees
 - Complex capital budgeting with spreadsheets
 - Effect of end-of-year cash flow discounting
8. Optimal Capital Structure
- Advantages of financial leverage
 - Types of business risk
 - Sales risk
 - Operating risk and cost structure
 - Trade-off between business risk and financial risk
 - Measures of business risk and financial risk
 - Degree of operating leverage
 - Degree of financial leverage
 - Degree of combined leverage
 - Determination of optimal capital structure
 - Industry average ratios
 - Worst-case scenario
 - Modigliani and Miller Propositions I & II with and without taxes
 - Static Theory
 - Signalling Theory
 - Pecking Order Theory
 - Other factors affecting capital structure

Methods for Prior Learning Assessment and Recognition

As per TRU Policy

Last Action Taken

Implement by Submission Preview Subcommittee Chair CurricUNET Administrator

Current Date: 28-Oct-20