**ACCT 5130**  
**ADVANCED FINANCE**  
**COURSE OUTLINE**  
**SUMMER 2015**

**Instructor:** Professor Isaac Otchere, PhD, CA  
**Email:** isaac.otchere@carleton.ca  
**Office:** DT 1712  
**Phone:** (613) 520-2600 Ext. 2731

**Course Schedule & location**  
**Office Hours:**  
Mon-Thurs: 9.05-11.55am: DT 701  
Wed: 2.30-4.00pm or by appointment

**Course Description and Objectives:**

In this increasingly complex business environment, senior executives in business and public sector organizations require knowledge of financial management. This course builds upon and integrates knowledge previously gained in finance courses taken in an undergraduate program and in the MAcc program. It dives deeper into technical and complex issues, helps develop professional judgement, and focuses on the ability to integrate the various competencies together. It hones the skills required to be a professional accountant. On successful completion of this course the participant will have mastered the fundamental financial concepts and techniques, and acquired the ability to apply the techniques to financial problem-solving and decision-making in a professional manner.

**Course calendar description**

The impact of the financing decision upon the value of the firm, firm valuation, investing, and risk management.

**Prerequisite:** ACCT 5121 with a minimum grade of B-.

**Reading (s)/Textbook (s):**


**Evaluation:**

<table>
<thead>
<tr>
<th>Methods of Evaluation</th>
<th>Percent of Grade</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>10%</td>
<td>Mon, 27 July, 2015</td>
</tr>
<tr>
<td>Group Assignment</td>
<td>15%</td>
<td>Mon July 13, 2015</td>
</tr>
<tr>
<td>Quiz</td>
<td>10%</td>
<td>Wed, July 15, 2015</td>
</tr>
<tr>
<td>Mid term test (2 hours)</td>
<td>25%</td>
<td>Fri, July 31, 2015</td>
</tr>
<tr>
<td>Final Exam – 4 hours</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

The final exam will be comprehensive in nature and will cover the whole course. Only non-programmable calculators (without alpha storage capabilities) will be permitted for use during examinations. Translation dictionaries are allowed as long as they are in print format and do not contain any handwritten notes. Electronic translation dictionaries are not allowed.

The grading scale used to calculate your final grade will be the one listed in the Carleton University Graduate Calendar:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>90 - 100</td>
</tr>
<tr>
<td>A</td>
<td>85 - 89</td>
</tr>
<tr>
<td>A-</td>
<td>80 - 84</td>
</tr>
<tr>
<td>B+</td>
<td>77 – 79</td>
</tr>
<tr>
<td>B</td>
<td>73 – 76</td>
</tr>
<tr>
<td>B-</td>
<td>70 – 72</td>
</tr>
<tr>
<td>C+</td>
<td>67 – 69</td>
</tr>
<tr>
<td>C</td>
<td>63 – 65</td>
</tr>
<tr>
<td>C-</td>
<td>60 – 62</td>
</tr>
<tr>
<td>D+</td>
<td>57 – 59</td>
</tr>
<tr>
<td>D</td>
<td>53 – 56</td>
</tr>
<tr>
<td>D-</td>
<td>50 – 52</td>
</tr>
</tbody>
</table>

**Classroom Structure**

Class time will be spent discussing the major concepts, and having you work on problems for the rest of the class time.

**Drop Course Policy:**

The deadline for academic withdrawal is the last day of classes (each term).

**Deferred Final Examination:**

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.
# TOPICAL COVERAGE

The topical coverage is based on all knowledge requirements of the CPA Canada Knowledge Supplement. See Appendix A.

## TOPICAL OUTLINE AND SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic / LO</th>
<th>CPA Competency Map References</th>
<th>Readings</th>
<th>Problems(chp questions / Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction: External Environment and financial markets</td>
<td>5.1.1 5.1.2 5.2.3</td>
<td>Reading: Ross et al. Chp 1.6 Nature of and accessibility to capital markets (financial markets, public offerings and underwriters, private placements, secondary markets Reading: Ross et al. Chp 12.6: Capital market efficiency</td>
<td>Ross et al Problems: chp 1-7, 1-8, 1-15; Chp: 12-5, 12-6, 12-7, 12-9, 12-10</td>
</tr>
<tr>
<td>2</td>
<td>Short term Financing Decisions</td>
<td>5.1.1 5.1.2 5.2.1</td>
<td>Ross et al. Chapter 18: Working-capital management and role of liquidity Reading 18-2: Operating cycle and cash cycle Reading 18-6: Sources of short-term financing (trade, factoring, lines of credit) Chapter 20: Credit and inventory management Reading 20-2 Credit policy decisions (evaluating credit risk, determining collection policy and credit period, making use of cash discounts, organizing the credit function Reading 20-8 Inventory management technique</td>
<td>Ross et al Problems: chp 18-7, 18-13, 18-14; Problems: chp 20-5, 20-12, 20-15</td>
</tr>
<tr>
<td>3</td>
<td>Medium- and long-term financing, Instruments &amp; Risk Management tools</td>
<td>5.1.1 5.5.1 5.5.2</td>
<td>Sources of medium- and long-term financing Bank loans Internally generated funds Securitization Government assistance Reading 7.2 Debt instruments Reading 8.2 Equity instruments (common shares, preferred shares, stock rights, warrants) Reading 24.3 Derivative financial instruments (options, futures, forwards, swaps, other derivatives) Reading 25.4 Stock-based compensation (executive stock options) Reading 24.5 Tools to hedge exposures (e.g., interest rate swap, foreign currency hedge) Reading 25.7 Convertible securities</td>
<td>Problems will be assigned in class Ross 7: critical thinking Q#5 Ross 8: critical thinking Q#10 Ross 24: critical thinking Q#13 Ross 25: critical thinking Q#1 Ross 25: critical thinking Q#6</td>
</tr>
<tr>
<td>4</td>
<td>Risk and Return</td>
<td>5.2.1 5.2.2 5.2.5 5.5.1</td>
<td>Ross et al. Chp 13 Reading 13.1 Expected return and variances Reading 13.2 Portfolios Reading 13.4 Systematic and unsystematic risks</td>
<td>Problems Ross13.3; 13.9; 13.23; 13.27</td>
</tr>
<tr>
<td>5</td>
<td>Portfolio Analysis</td>
<td>5.2.1 5.2.2</td>
<td>Ross et al. Chp 13 Reading 13.5 Diversification and portfolio risk</td>
<td>Problems</td>
</tr>
</tbody>
</table>

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1. All problems, readings and cases are from the Ross et al. textbook, unless otherwise indicated.
<table>
<thead>
<tr>
<th>Reading</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13.6</strong></td>
<td>Systematic risk and beta</td>
</tr>
<tr>
<td><strong>13.7</strong></td>
<td>The Security market line and the Capital Asset Pricing Model (CAPM)</td>
</tr>
<tr>
<td><strong>13.8</strong></td>
<td>Arbitrage Pricing Theory</td>
</tr>
<tr>
<td><strong>15.1</strong></td>
<td>Venture Capital and Early stage financing</td>
</tr>
<tr>
<td><strong>15.2</strong></td>
<td>Initial Public offering</td>
</tr>
<tr>
<td><strong>15.4</strong></td>
<td>Seasoned equity offering</td>
</tr>
<tr>
<td><strong>15.8</strong></td>
<td>Rights offering</td>
</tr>
<tr>
<td><strong>16.1</strong></td>
<td>Capital Structure Decisions</td>
</tr>
<tr>
<td><strong>16.1</strong></td>
<td>Capital structure, Ownership and control considerations</td>
</tr>
<tr>
<td><strong>16.2</strong></td>
<td>Effects of Financial leverage</td>
</tr>
<tr>
<td><strong>16.3</strong></td>
<td>Tax considerations (tax shield, etc.)</td>
</tr>
<tr>
<td><strong>16.5</strong></td>
<td>Effects of bankruptcy costs</td>
</tr>
<tr>
<td><strong>16.6</strong></td>
<td>Optimal capital structure</td>
</tr>
<tr>
<td><strong>16.8</strong></td>
<td>Internally generated funds and Pecking Order impact of capital structure changes on EPS</td>
</tr>
<tr>
<td><strong>17.1</strong></td>
<td>Dividend policy</td>
</tr>
<tr>
<td><strong>17.2</strong></td>
<td>Taxes and dividend signaling</td>
</tr>
<tr>
<td><strong>17.3</strong></td>
<td>Residual Dividend policy</td>
</tr>
<tr>
<td><strong>17.5</strong></td>
<td>Alternatives to cash dividends: stock repurchases</td>
</tr>
<tr>
<td><strong>17.8</strong></td>
<td>stock dividends and stock splits, dividend reinvestment</td>
</tr>
</tbody>
</table>

**Problems:**
- Ross 15.1, 15.2, 15-14, 15-15
- Case MPCC Goes Public, Ross page 453
- Ross 16.9; 16.13, 16.16, 16.17
- Case: Nicolet Real Estate Recapitalization, Ross page 486
- Ross 17.3; 17.4; 17.13; 17.16.
- Case: Kelowna Microchips, INC. (Ross, page 517)
- Damodaran (Damo) Chp 12
  - Purpose and nature of the valuation
  - Fair market value concept
  - Common inputs to valuation techniques (credit risk, market price, marketability, volatility, discount rate, etc.)
  - Approaches to valuation (for fixed income securities and/or equity instruments):
    - Asset based (liquidation value, replacement cost)
  - Damodaran (Damo) Chp 12
  - Approaches to valuation
  - Transaction based
  - capitalization of earnings, capitalization of cash flows,
  - discounted cash flow valuation
  - Equity valuation vs. Firm Valuation
  - Free Cash Flow to Equity (FCFE) approach
  - Free Cash Flow to Firm (FCFF) approach
  - Market based (multiples)
- Damodaran (Damo) Chp 12
  - Other problems will be assigned and discussed in class
  - Damodaran (Damo) Chp 12
  - Other problems will be assigned and discussed in class
  - Case: Valuation – Rushway Brothers Lumber (to be obtained from Ivey Business School, Western)
| 11 | Leasing | Ross et al. Chp 22  
Reading 22.1 Operating and Financial leases  
Reading 22.3 Taxes and Leasing  
Reading 22.5 Lease or Buy decision  
Reading 22.7 Reasons for leasing | Problems: Ross 22.2; 22.3 22.4; 22.5; 22.6; 22.7 |
|---|---|---|
| 12 | Corporate Finance Transactions | Ross et al. Chp 23  
Reading 23.4 Accounting for acquisition  
Reading 23.5 Key risks and rewards in corporate finance  
Reading 23.6 Cost of acquisition  
International considerations (exchange risks, political risks, economic risk, international sources of capital)  
Reading 23.9 Forms of expansion and divestiture (mergers, acquisitions, strategic alliances, joint ventures, spin-offs) | Problems: Ross 23.12; 23.15  
Appendix A: CPA Canada Knowledge Topics Covered in Acct 5130

Most of the following knowledge topics will be covered in ACCT 5130

SECTION 5: FINANCE

External Environment and Impact on Finance Decisions/Analysis
a) Nature of and accessibility to capital markets (financial markets, public offerings and underwriters, private placements, secondary markets)
b) Capital market efficiency (efficient market hypothesis)
c) Other factors in market pricing

Financing Decisions and Finance Management
a) Inputs into determining cash flow needs
b) Working-capital management
   □ Role of liquidity
c) Sources of short-term financing (trade, factoring, lines of credit)
d) Credit policy decisions (evaluating credit risk, determining collection policy and credit period, making use of cash discounts, organizing the credit function)
e) Short-term versus long-term financial planning (objectives and process, forecasting, pro forma financial statements)
f) Sources of medium- and long-term financing
   □ Bank loans
   □ Internally generated funds
   □ Initial public offerings
   □ Venture capital
   □ Securitization
   □ Government assistance
g) Asset-based financing
h) Lease financing (direct lease, sale and leaseback)
i) Derivative financial instruments
j) Project financing

Investing and Risk Management
a) Forms of ownership and extent of ownership (direct, outsourcing, strategic partnerships)
b) Nature and use of financial instruments
c) Debt instruments
d) Equity instruments (common shares, preferred shares, stock rights, warrants)
e) Derivative financial instruments (options, futures, forwards, swaps, other derivatives)
f) Convertible securities
g) Stock-based compensation (options, appreciation rights)
h) Tools to hedge exposures (e.g., interest rate swap, foreign currency hedge)
i) Other types of investments
j) Portfolio diversification and optimal investment decision making
k) Macro-economic risk assessment

Capital Structure Decisions
a) Optimal capital structure
b) Ownership and control considerations
c) Financial leverage
d) Tax considerations (tax shield, etc.)
e) Effects of bankruptcy costs

**Distribution of Earnings**

a) Dividend policy
b) Alternatives to cash dividends (stock dividend, stock split, share repurchase, dividend reinvestment)

**Cash Flow/Net Income Estimation**

a) Tax effects
b) Effects of non-cash items
c) Discounting

d) Approaches to valuation (for fixed income securities and/or equity instruments):
   - Asset based (adjusted book value, liquidation value, replacement cost)
   - Transaction based (capitalization of earnings, capitalization of cash flows, discounted earnings, discounted cash flow)
   - Market based (multiples)
e) Approaches to the valuation of intangible assets

**Corporate Finance Transactions**

a) Forms of expansion and divestiture (mergers, acquisitions, strategic alliances, joint ventures, spin-offs)
b) Transaction considerations
c) Key risks and rewards in corporate finance
d) Synergies involved in the combination of entities
e) International considerations (exchange risks, political risks, economic risk, international sources of capital)

**Important Additional Information**

**Policy on Mobile Devices**

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

**Group Work**

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.
Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to http://www.carleton.ca/pmc/ for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton’s Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/.
Important Dates and Deadlines Summer 2015

Graduate, Undergraduate and Special Students

Sessions:

- **Early Summer**: May 4, 2015 to June 16, 2015
- **Late Summer**: July 2, 2015 to August 14, 2015
- **Full Summer**: May 4, 2015 to August 14, 2015

March 1
Last day for receipt of applications for admission to an undergraduate degree program for the summer term.

March 24
Last day to pay any remaining balance on your Student Account to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2015 course selection.

March 25
**Carleton Central opens at 8:30 a.m. for registration** for Carleton University degree students (graduate and undergraduate). Check your timeticket [here](#).

March 26
Registration for Carleton Special (non-degree) students begins at 8:30 a.m.

April 8
Registration for University of Ottawa undergraduate students begins. Registration opens at 8:30 a.m.

May 1
Last day for receipt of applications for undergraduate degree program transfers for the summer term.

**Date to be confirmed by Business Office**
Deadline for fee payment or assignment of funding to ensure payment is processed to your account without incurring a late charge. Payment of fees is due by the posted deadlines.

May 4
**Full** summer and **early** summer courses begin.

May 11
Last day for registration and course changes for **early** summer courses.
May 15
Last day for registration and course changes for full summer courses. Graduate students who have not electronically submitted their final thesis copy to the Faculty of Graduate and Postdoctoral Affairs will not be eligible to graduate in Spring 2015 and must register for the Summer 2015 academic term.

May 18
Statutory holiday, University closed. No CUOL course broadcast.

May 22
Last day for a full fee adjustment when withdrawing from early and full summer courses (financial withdrawal).

June 5
Last day to submit to the Paul Menton Centre for Students with Disabilities, formal Examination Accommodation Forms for June examinations

June 8-18
Fall/Winter and Winter term deferred final examinations will be held.

June 16
Last day of early summer classes (NOTE: Full summer classes resume July 2). Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for courses that end on this day. Last day for academic withdrawal from early summer courses.

Date to be confirmed by Business Office
Final Summer term payment deadline. Any balance owing on your student account will prevent access to registration for future terms. Holds will be placed on unpaid summer accounts, which will prevent access to marks and/or registration for the 2015-16 Fall/Winter course selection. Payment of fees is due by the posted deadlines.

June 19-25
Early summer examinations may be held. It may be necessary to schedule examinations during the day for classes held in the evening and vice versa. Examinations are normally held all seven days of the week.

July 1
Statutory holiday, University closed.

Date to be determined by Business Office
Late registration charges take effect at 12:00 a.m. (midnight) for students registering only in late summer courses (July-August courses). Payment of fees is due by the posted deadlines.
July 2
**Late** summer courses begin and **Full** summer courses resume.

July 9
Last day for registration and course changes for **late** summer courses.

July 23
Last day for a full fee adjustment when withdrawing from **late** Summer courses (financial withdrawal)

July 24
Last day to submit to the Paul Menton Centre, for Students with Disabilities, formal examination accommodation forms for August examinations.

August 1
Last day for graduate students to submit to their thesis supervisor an examination copy of their Master’s or PhD thesis for Fall graduation.

August 3
Civic holiday, University closed. No CUOL course broadcast

August 14
Classes follow a Monday schedule.
Last day of **late** and **full** summer term classes.
Last day for handing in term work and the last day that can be specified by a course instructor as a due date for term work for courses that end on this day.
Last day for academic withdrawal from **late** summer and **full** summer courses and any other courses that end this term.

August 17-23
Final examinations in **full** and **late** summer courses may be held. It may be necessary to schedule examinations during the day for classes held in the evening and vice versa
Examinations are normally held all seven days of the week.

September 25-27
Summer term deferred final examinations will be held.

September 30
Last day for receipt of applications for appeal of final grades in summer term courses.