



**ACCT 5130 A, B  
ADVANCED FINANCE  
SUMMER 2019**

**Instructor:** Dr. Yuriy Zabolotnyuk, CFA, FRM

**Office:** Dunton Tower 1713

**Office Hours:** Monday/Thursday 11:30am - 12.30pm or by appointment

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**Course meets:**       **Section A:** 8:35am-11:25am in CB2104  
                              **Section B:** 1.05pm-3.55pm in CB2104

Please see the detailed class schedule below for class dates.

**Prerequisite:** ACCT 5121

**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.

**Textbooks:**

Ross, Westerfield, Jordan, and Roberts, *Fundamentals of Corporate Finance*, 9<sup>th</sup> Canadian edition, McGraw-Hill Ryerson, 2016.

Aswath Damodaran, *Applied Corporate Finance: A User's Manual* 4<sup>th</sup> Edition, Wiley, 2015.

**Grading Scheme:**

In-class quizzes (2@10% each)	20%
Case presentation (15%)	15%
Mid-term exam	20-25%
Final exam	40-45%
Total	100%

**Case presentation and discussion:**

The class will be divided into 6 (six) groups, and each group will be responsible for the presentation of one case. Case presentations will be limited to 15 minutes with 5 minutes of Q&A and discussion. All students should read the case in order to participate in the discussion. Please provide a copy of your slides to the instructor. A separate handout on the structure of cases will be provided on CULearn.

You can access the cases by following this link: <https://hbsp.harvard.edu/import/624437>

Cases by group are as follows:

Group	Case	Topic
1	PARTNERS HEALTHCARE, 206005-PDF-ENG	Risk and Return, Portfolio Theory
2	ALEX SHARPE'S PORTFOLIO 908N20-PDF-ENG	CAPM and Betas
3	MARRIOTT CORP.: THE COST OF CAPITAL, HBP 289047-PDF-ENG	Cost of Capital
4	BLAINE KITCHENWARE, INC.: CAPITAL STRUCTURE, HBP 4040-PDF-ENG	Capital Structure
5	OCEAN CARRIERS, HBP 202027-PDF-ENG	Cash Flow Forecasting
6	MERCURY ATHLETIC: VALUING THE OPPORTUNITY, HBP 4050-PDF-ENG	DCF Valuation

**Final exam: TBA**

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:

A+	90 - 100	B+	77 - 79	C+	67 - 69	D+	57 - 59
A	85 - 89	B	73 - 76	C	63 - 66	D	53 - 56
A-	80 - 84	B-	70 - 72	C-	60 - 62	D-	50 - 52

**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.

**COURSE SCHEDULE (TENTATIVE AND SUBJECT TO CHANGES)**

<i>Class date (number)</i>	<i>Topic / LO</i>	CPA Competency Map References	<b>Readings</b> ( <i>R</i> : Ross et al., <i>D</i> : Damodaran)	<b>Problems / Cases</b>
<b>July 2 (1)</b>	Introduction: The firm, external environment & financial markets. Short-term financing.	5.1.1 5.1.2 5.2.3	<b>R</b> : 1.5; 1.6 <b>R</b> : 12.6 <b>D</b> : Ch.2  <b>R</b> : 18.3; 18.6	<b>R</b> : 1-7, 1-10, 1-15 <b>R</b> : 12-5, 12-6, 12-9, 12-10, 12-15 <b>R</b> : Ch.12: critical thinking Q#9, 10 <b>D</b> : 2-1, 2-3, 2-12  <b>R</b> : Ch.18: critical thinking Q#5, 18-13, 18-14
<b>July 4 (2)</b>	Medium- and long-term financing  Risk management tools	5.1.1 5.5.1 5.5.2	<b>R</b> : 7.1; 7.2 <b>R</b> : 8.1; 8.2  <b>R</b> : 24.2; 24.3; 24.4; 24.5 <b>R</b> : 25.1; 25.2; 25.7	<b>R</b> : Ch.7: critical thinking Q#5, 7-16, 7-18, 7-22, 7-26, 7-28 <b>R</b> : Ch.8: critical thinking Q#10, 8-10, 8-12, 8-14 <b>R</b> : Ch.24: critical thinking Q#13 <b>R</b> : Ch.25: 25-1, 25-3, 25-10, 25-11
<b>July 5 (3)</b>	Risk and return	5.2.1 5.2.2 5.2.5 5.5.1	<b>R</b> : 13.1; 13.2; 13.4 <b>D</b> : Ch.3	<b>R</b> : 13-3, 13-9, 13-10, 13-17 <b>R</b> : Ch.13: critical thinking Q#1,3 <b>D</b> : 3-1, 3-4
<b>July 8 (4)</b> <b>Quiz 1</b>	Portfolio analysis	5.2.1 5.2.2 5.2.5 5.5.1	<b>R</b> : 13.5; 13.6; 13.7; 13.8	<b>R</b> : 13-19, 13-20, 13-23, 13-25, 13-27 <b>R</b> : Ch.13: critical thinking Q#6,7
<b>July 9 (5)</b>	Cost of capital	5.1.1 5.1.2 5.2.4 5.2.5	<b>R</b> : 14.2; 14.3; 14.4; 14.5; 14.6 <b>D</b> : Ch.4	<b>R</b> : 14-3, 14-7, 14-9, 14-15 <b>D</b> : 4-3, 4-5 (not part e), 4-7  <b>Case: Group 1</b>
<b>July 11 (6)</b>	Capital budgeting	5.1.1 5.1.2 5.3.1 5.6.2	<b>R</b> : 10.1; 10.2; 10.7 <b>D</b> : Ch.5, Ch.6 (p.255-266)	<b>R</b> : 10-21, 10-22, 10-23, 10-24, 10-27 <b>R</b> : Ch.10 Mini Case, p. 305 <b>D</b> : 5-4  <b>Case: Group 2</b>
<b>July 12 (7)</b>	Analysis of capital structure	5.2.3 5.2.4 5.2.5 5.6.2	<b>R</b> : 16.1; 16.2; 16.3; 16.4; 16.5; 16.6; 16.8 <b>D</b> : Ch.7	<b>R</b> : 16-9, 16-13, 16-16, 16-17 <b>R</b> : Ch.16 Mini Case, p. 511 <b>D</b> : 7-3, 7-4, 7-5, 7-18, 7-29  <b>Case: Group 3</b>
<b>July 14 (8)</b> <b>Midterm Exam</b>				
<b>July 15 (9)</b>	Distribution of earnings	5.2.1 5.2.3 5.2.6	<b>R</b> : 17.1; 17.3; 17.5; 17.6; 17.7; 17.8 <b>D</b> : Ch.10	<b>R</b> : 17-3, 17-4, 17-13, 17-16 <b>R</b> : Ch.17: critical thinking Q#7 <b>R</b> : Ch.17 Mini Case, p.544 <b>D</b> : 10-6, 10-9, 10-10, 10-11

<b>July 16 (10)</b>	Valuation I	5.2.1 5.2.5 5.4.1 5.4.2	<b>D:</b> Ch.12 <ul style="list-style-type: none"> <li>Purpose and nature of the valuation</li> <li>Fair market value concept</li> </ul> Common inputs to valuation techniques	<b>D:</b> 12-1, 12-2  <b>Case: Group 4</b>
<b>July 18 (11)</b>  <b>Quiz 2</b>	Valuation II	5.2.1 5.2.5 5.4.1 5.4.2	<b>D:</b> Ch.12 <ul style="list-style-type: none"> <li>Approaches to valuation</li> <li>Transaction based</li> <li>Capitalization of earnings, capitalization of cash flows, discounted cash flow valuation</li> </ul>	<b>D:</b> 12-4, 12-6  <b>Case: Group 5</b>
<b>July 19 (12)</b>	Valuation III    Corporate finance transactions	5.2.1 5.2.5 5.4.1 5.4.2  5.2.3 5.2.5 5.4.2 5.6.1	<b>D:</b> Ch.12 <ul style="list-style-type: none"> <li>Equity valuation vs. Firm Valuation</li> <li>Free Cash Flow to Equity/Firm (FCFE/FCFF) approaches</li> <li>Market based (multiples)</li> <li>Approaches to the valuation of intangible assets</li> </ul> <b>R:</b> 23.3; 23.4; 23.5; 23.6; 23.9	<b>D:</b> 12-9, 12-14, 12-15  <b>R:</b> 23-12, 23-15 <b>R:</b> Ch.23 Mini Case, p. 718  <b>Case: Group 6</b>

### Course Sharing Websites

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### 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, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor 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.*

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50			

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

### **Academic Regulations**

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

### **Requests for Academic Accommodation**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

#### **Pregnancy obligation**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

#### **Religious obligation**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

### **Academic Accommodations for Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. [carleton.ca/pmc](http://carleton.ca/pmc)

### **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and is survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: [carleton.ca/sexual-violence-support](http://carleton.ca/sexual-violence-support)

### **Accommodation for Student Activities**

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: [students.carleton.ca/course-outline](https://students.carleton.ca/course-outline)

### **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 cooperation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, 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: <https://carleton.ca/registrar/academic-integrity/>.

### **Sprott Student Services**

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you are having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/learning-support/>

### **Centre for Student Academic Support**

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: [carleton.ca/csas](https://carleton.ca/csas).

### **Important Information:**

- Students must always retain a hard copy of all work that is submitted.
  - All final grades are subject to the Dean’s approval.
  - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton CMail account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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**Appendix A: CPA Canada Finance Knowledge Topics**  
(Most of the following knowledge topics will be covered in class)

**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

**Valuation**

- a) Purpose and nature of the valuation
- b) Fair market value concept
- c) Common inputs to valuation techniques (credit risk, market price, marketability, volatility, etc.)
- 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)