



**ACCT 5130 A, B
ADVANCED FINANCE
SUMMER 2018**

Instructor: Dr. Yuriy Zabolotnyuk, CFA, FRM

Office: Dunton Tower 1713

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

Email: yuriy.zabolotnyuk@carleton.ca

Phone Number: (613) 520-2600 ext 3206

Course meets: **Section A:** 8:35am-11:25am in CB2104
 Section B: 1.05pm-3.55pm in CB3400

Please see the detailed class schedule below for class dates

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

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*, 9th Canadian edition, McGraw-Hill Ryerson, 2016.

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

Grading Scheme:

In-class quizzes (2@10% each)	20%
Case presentation (10%) and discussion (5%)	15%
Mid-term exam	20-25%
Final exam	40-45%
Total	100%

Case presentation and discussion:

The class will be divided into 7 (seven) groups, and each group will be responsible for the presentation and the discussion of one case each. Case presentations will be limited to 10 minutes with 10 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:

<http://cb.hbsp.harvard.edu/cbmp/access/64058189>

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
7	ACOVA RADIATEURS 295150-PDF-ENG	Cash Flows to Equity Valuation

Final exam: Thursday July 26th 9:00am-1:00pm AT 302

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	Readings (R : Ross et al., D : Damodaran)	Problems / Cases
July 3 (1)	Introduction: The firm, external environment & financial markets	5.1.1 5.1.2 5.2.3	R : 1.5; 1.6 R : 12.6 D : Ch.2	R : 1-7, 1-8, 1-15 R : 12-5, 12-6, 12-7, 12-9, 12-10 R : Ch.12: critical thinking Q#9, 10 D : 2-1, 2-3, 2-12
July 5 (2)	Short, medium- and long-term financing Risk management tools	5.1.1 5.5.1 5.5.2	R : 18.3; 18.6 R : 7.1; 7.2 R : 8.1; 8.2 R : 24.2; 24.3; 24.4; 24.5	R : Ch.18: critical thinking Q#5, 18-13, 18-14 R : Ch.7: critical thinking Q#5, 7-16, 7-18, 7-22, 7-26, 7-28 R : Ch.8: critical thinking Q#10, 8-10, 8-12, 8-14 R : Ch.24: critical thinking Q#13
July 6 (3)	Risk and return	5.2.1 5.2.2 5.2.5 5.5.1	R : 13.1; 13.2; 13.4 D : Ch.3	R : 13-3, 13-9, 13-10, 13-17 R : Ch.13: critical thinking Q#1,3 D : 3-1, 3-4
July 9 (4) Quiz 1	Portfolio analysis	5.2.1 5.2.2 5.2.5 5.5.1	R : 13.5; 13.6; 13.7; 13.8	R : 13-19, 13-20, 13-23, 13-25, 13-27 R : Ch.13: critical thinking Q#6,7 Case: Group 1
July 10 (5)	Cost of capital	5.1.1 5.1.2 5.2.4 5.2.5	R : 14.2; 14.3; 14.4; 14.5; 14.6 D : Ch.4	R : 14-3, 14-7, 14-9, 14-15 D : 4-3, 4-5 (not part e), 4-7 Case: Group 2
July 12 (6)	Capital budgeting	5.1.1 5.1.2 5.3.1 5.6.2	R : 10.1; 10.2; 10.7 D : Ch.5, Ch.6 (p.255-266)	R : 10-21, 10-22, 10-23, 10-24, 10-27 R : Ch.10 Mini Case (GI), p. 284 D : 5-4 Case: Group 3
July 13 (7)	Analysis of capital structure	5.2.3 5.2.4 5.2.5 5.6.2	R : 16.1; 16.2; 16.3; 16.4; 16.5; 16.6; 16.8 D : Ch.7	R : 16-9, 16-13, 16-16, 16-17 R : Ch.16 Mini Case (Nicolet), p. 486 D : 7-3, 7-4, 7-5, 7-18, 7-29
July 16 (8) Midterm Exam (in class)	Distribution of earnings	5.2.1 5.2.3 5.2.6	R : 17.1; 17.3; 17.5; 17.6; 17.7; 17.8 D : Ch.10	R : 17-3, 17-4, 17-13, 17-16 R : Ch.17: critical thinking Q#7 R : Ch.17 Mini Case (Kelowna), p.517 D : 10-6, 10-9, 10-10, 10-11

July 17 (9)	Valuation I	5.2.1 5.2.5 5.4.1 5.4.2	D: Ch.12 <ul style="list-style-type: none"> Purpose and nature of the valuation Fair market value concept Common inputs to valuation techniques	D: 12-1, 12-2 Case: Group 4
July 19 (10)	Valuation II	5.2.1 5.2.5 5.4.1 5.4.2	D: Ch.12 <ul style="list-style-type: none"> Approaches to valuation Transaction based Capitalization of earnings, capitalization of cash flows, discounted cash flow valuation 	D: 12-4, 12-6 Case: Group 5
July 20 (11)	Valuation III	5.2.1 5.2.5 5.4.1 5.4.2	D: Ch.12 <ul style="list-style-type: none"> Equity valuation vs. Firm Valuation Free Cash Flow to Equity (FCFE) approach Free Cash Flow to Firm (FCFF) approach Market based (multiples) Approaches to the valuation of intangible assets 	D: 12-9, 12-14, 12-15 Case: Group 6
July 23 (12) Quiz 2	Corporate finance transactions	5.2.3 5.2.5 5.4.2 5.6.1	R: 23.3; 23.4; 23.5; 23.6; 23.9	R: 23-12, 23-15 R: Ch.23 Mini Case (Elgin/Dutton), p. 684 Case: Group 7

Course Sharing Websites

Student or professor 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 Spratt 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

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity

Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). Requests made within two weeks will be reviewed on a case-by-case basis. After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website (www.carleton.ca/pmc) for the deadline to request accommodations for the formally-scheduled exam (if applicable).

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: <https://carleton.ca/registrar/academic-integrity/>.

Important dates and deadlines

<https://sprott.carleton.ca/students/mba/dates-deadlines-policies/>

Sessions:

Early Summer: May 7, 2018 to June 19, 2018

Late Summer: July 3, 2018 to August 15, 2018

Full Summer: May 7, 2018 to August 15, 2018

March 1, 2018

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

March 19, 2018

Financial holds preventing registration will be applied to accounts with an outstanding balance. In order to prevent delayed registration for Summer 2018 courses, please allow adequate processing time as payments normally take 2 days to be applied to your student account.

March 22, 2018

Carleton Central opens at 8:30 a.m. for registration for Carleton University degree students (graduate and undergraduate). Check your time-ticket [here](#).

March 26, 2018

Carleton Central opens at 8:30 a.m. for registration for Carleton University Special Students (non-degree).

April 12, 2018

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

April 25, 2018

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 1, 2018

Last day for receipt of applications for undergraduate internal degree transfers to allow for registration for the summer term.

May 7, 2018

Early summer and **full** summer courses begin.

May 11, 2018

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 2018 and must register for the Summer 2018 term.

May 14, 2018

Last day for registration and course changes (including auditing) for **early** summer courses.

May 18, 2018

Last day for registration and course changes (including auditing) for **full** summer courses.

May 18-29, 2018

Fall/Winter and winter term deferred final examinations will be held.

May 21, 2018

Statutory holiday. University closed.

May 25, 2018

Last day for a full fee adjustment when withdrawing from **early** summer and **full** summer courses (financial withdrawal). Withdrawals after this date will result in a permanent notation of WDN on the official transcript.

June 1, 2018

Last day to request Formal Examination Accommodation Forms for **early** summer examinations to the Paul Menton Centre for Students with Disabilities. Note that it may not be possible to fulfill accommodation requests received after the specified deadlines.

June 12, 2018

Last day for summative or final examinations for **early** summer courses before the official examination period (see **Examination Regulations** in the Academic Regulations of the University section of the Undergraduate Calendar).

June 14, 2018

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 2018-19 Fall/Winter course selection. Payment of fees is due by the **posted deadlines**.

June 19, 2018

Last day of **early** summer classes (NOTE: Full summer classes resume July 3).

Last day for academic withdrawal from **early** summer courses.

Last day for handing in term assignments, subject to any earlier course deadline.

June 20-21, 2018

No classes or examinations take place.

June 22-28, 2018

Early summer final examinations and mid-term examinations in **full** summer courses may be held. Examinations are normally held all seven days of the week.

July 2, 2018

Statutory holiday. University closed.

July 3, 2018

Late summer courses begin.

Full summer courses resume.

Late 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 10, 2018

Last day for registration and course changes (including auditing) for **late** summer courses.

July 20-22, 2018

Early summer term deferred final examinations to be held.

July 23, 2018

Last day for a full fee adjustment when withdrawing from **late** summer courses (financial withdrawal).

Last day to request Formal Examination Accommodation Forms for August examinations to the Paul Mention Centre for Students with Disabilities. Note that it may not be possible to fulfill accommodation requests received after the specified deadlines.

August 1, 2018

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 6, 2018

Civic holiday. University closed.

August 8, 2018

Last day for summative or final examinations for **late** summer and **full** summer courses before the official examination period (see **Examination Regulations** in the Academic Regulations of the University section of the Undergraduate Calendar).

August 15, 2018

Summer term financial holds preventing access to grades through Carleton Central and the release of official documents will be applied to accounts with an outstanding balance.

Last day of **late** summer and **full** summer classes.

Classes follow a Monday schedule.

Last day for academic withdrawal from **late** summer and **full** summer courses and any other courses that end this term.

Last day for handing in term assignments, subject to any earlier course deadline.

August 18-24, 2018

Final examinations in **late** summer and **full** summer courses may be held. Examinations are normally held all seven days of the week.

August 24, 2018

All take home examinations are due on this day, with the exception of those conforming to the Examinations regulations in the Academic Regulations of the University section of the Undergraduate Calendar/General Regulations of the Graduate Calendar.

September 14-16, 2018

Late summer and **full** summer term deferred final examinations will be held.

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)