



ACCT 5130 A, B
ADVANCED FINANCE
SUMMER 2022

Instructor: Dr. Yuriy Zabolotnyuk, CFA, FRM

Office Hours: Monday/Thursday 11:30am - 12:30pm or by appointment

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Modality: in-person “flipped classroom” **1** hour asynchronous online (*recorded lecture videos*)
2 hours in-person class

In-person classes:

Section A: **9:30am-11:30am** (Monday classes from **1pm-3pm**) in NI 4050

Section B: **1pm-3pm** (Monday classes from **9:30am-11:30am**) in NI 4050

[Please see the detailed class schedule below for class dates.](#)

Course calendar description

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

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.

Learning Objectives:

1. Master the fundamental financial concepts and techniques.
2. Acquire the ability to apply the techniques to financial problem-solving.
3. Apply course concepts for financial decision-making in a professional manner.

Prerequisite: Enrollment in the M.A.c.c Program

Textbooks:

- Ross, Westerfield, Jordan, and Roberts, *Fundamentals of Corporate Finance*, 10th Canadian edition, McGraw-Hill Ryerson, 2019 (ISBN-9781259654756).
- Aswath Damodaran, *Applied Corporate Finance: A User’s Manual* 4th Edition, Wiley, 2015.

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

Grading Scheme:

In-class quizzes (2@10% each)	20%
Case presentation	15%
Class participation	10%
Mid-term exam	20-25%
<u>Final exam</u>	<u>30-35%</u>
Total	100%

In-class quizzes: designed to focus on material that was just covered. Each quiz will be approximately 20-30 minutes in length and will consist of a number of multiple-choice questions. You will write the quizzes in person at the beginning of class.

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 in Brightspace.

You can access the cases by following this link: <https://hbsp.harvard.edu/import/834629>

Cases by group are as follows:

	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

Class attendance and participation: class attendance is mandatory. You are expected to actively participate in class activities such as discussions, case presentations etc.

Final exam: July 23rd, 2022 9:00-13:00

The final exam will be comprehensive in nature and will cover the whole course. The exam will be written in person.

Contribution to Learning Goals of the Program (MAcc):

Program Learning Goal	Competencies Not Covered	Competencies Introduced (only)	Competencies Taught But Not Assessed	Competencies Taught and Assessed
MA1 Technical Competencies <i>Graduates will possess the technical abilities expected of professional accountants in all functional areas.</i>				X
MA2 Problem-Solving and Decision-Making <i>Graduates will be skilled in problem-solving and decision-making.</i>				X
MA3 Enabling Competencies	X			

<i>Graduates will possess the essential skills of a professional accountant including professional and ethical behaviour, communication, self-management, and teamwork and leadership.</i>				
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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>	<i>CPA Competency Map References</i>	<i>Readings (R: Ross et al., D: Damodaran)</i>	<i>Problems / Cases</i>
July 4 (1)	Introduction: The firm, external environment & financial markets. Short-term financing.	5.1.1 5.1.2 5.2.3	R: 1.5; 1.6 R: 12.6 D: Ch.2 R: 18.3; 18.6	R: 1-7, 1-10, 1-15 R: 12-5, 12-6, 12-9, 12-10, 12-15 R: Ch.12: critical thinking Q#9, 10 D: 2-1, 2-3, 2-12 R: Ch.18: critical thinking Q#5, 18-13, 18-14
July 5 (2)	Medium- and long-term financing Risk management tools	5.1.1 5.5.1 5.5.2	R: 7.1; 7.2 R: 8.1; 8.2 R: 24.2; 24.3; 24.4; 24.5 R: 25.1; 25.2; 25.7	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 R: Ch.25: 25-1, 25-3, 25-10, 25-11
July 7 (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 8 (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
July 11 (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 # 1 presentation
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, p. 305 D: 5-4 Case # 2 presentation
July 14 (7)	Midterm Exam (11:00-14:00)			

July 15 (8)	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, p. 511 D: 7-3, 7-4, 7-5, 7-18, 7-29 Case # 3 presentation
July 18 (9)	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, p.544 D: 10-6, 10-9, 10-10, 10-11
July 19 (10)	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 # 4 presentation
July 20 (11) Quiz 2	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 # 5 presentation
July 21 (12)	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	D: Ch.12 <ul style="list-style-type: none"> Equity valuation vs. Firm Valuation Free Cash Flow to Equity/Firm (FCFE/FCFF) approaches Market based (multiples) Approaches to the valuation of intangible assets R: 23.1; 23.4; 23.5; 23.6; 23.9	D: 12-9, 12-14, 12-15 R: 23-12, 23-15 R: Ch.23 Mini Case, p. 718 Case # 6 presentation
July 23	Final Exam (9:00-13:00)			

COVID-19 in the classroom:

The ongoing COVID-19 protocols of Carleton University are listed separately in this document. Please familiarize yourself with them. You must comply with these protocols at all times while on campus.

Specifically for this course the following procedures have been put in place surrounding COVID in our classroom.

If the *instructor* must isolate due to COVID the class will move on-line temporarily until such time that isolation is no longer required.

If a *student* must isolate due to COVID, we request that you do so and **do not** come to campus. You will need to contact your instructor upon testing positive and will fill out the COVID-19 self-declaration form which can be found here, <https://carleton.ca/registrar/cu-files/covid-19-self-declaration-form/>, and submit it to your instructor. Your instructor will contact you to discuss plans for helping you keep up in your course.

It is important to note that you are responsible for keeping on track with course material, even if you must isolate. Your instructors are here to help, but it will require extra effort on your part to ensure you are completing the tasks and learning required of you for the course.

ADDITIONAL INFORMATION

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).

Recommended Calculator for Examinations:

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group Work:

The Sprott School of Business encourages group assignments. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or 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	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

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**
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: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>
- **Religious Obligations**
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: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **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 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. <https://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 its 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: <https://carleton.ca/sexual-violence-support/>

- **Student Activities**

Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will 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: <https://students.carleton.ca/course-outline/>

Academic Integrity:

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—are a serious academic offence, 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/>

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: <https://carleton.ca/csas/>

Other Important Information:

- Students must always retain a 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 can do so by visiting <https://carleton.ca/its/get-started/new-students-2/>

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)