# Module: Maturity Matching

### Topics

This module includes the following five topics:

Topic 1: Maturity Matching Concept

Topic 2: Mismatching the Average Terms of Long-term Assets and Liabilities

Topic 3: Temporary Financing – Trade Credit and Commercial Lines of Credit

Topic 4: Permanent Financing – Commercial Mortgage Loans

Topic 5: Permanent Financing – Term Loans and Revolving Credit Facilities

## Topic 1: Maturity Matching Concept

This topic explains the importance of maturity matching, how it is measured, and the different maturity matching policies that firms can adopt.

### Readings

Introduction, Section 1.1 (Definition of Maturity Matching, Why Match Maturities, Maturity Matching Policies only)

#### **Learning Problems**

Basic Maturity Matching at Hobson Ltd.

Basic Maturity Matching at Juno Company

**Answer Keys**

Basic Maturity Matching at Hobson Ltd.

Basic Maturity Matching at Juno Company

## Topic 2: Mismatching the Average Terms of Long-term Assets and Liabilities

This topic explains why it is important to match the maturity of long-term assets and liabilities and how to measure compliance.

### Readings

Section 1.1 (Mismatching the Average Lives of Long-term Assets and Permanent Financing and Maturity Matching in Practice only)

Learning Problems

Comprehensive Maturity Matching at Elli Ltd.

Comprehensive Maturity Matching at Big Red One Ltd.

**Answer Keys**

Comprehensive Maturity Matching at Elli Ltd.

Comprehensive Maturity Matching at Big Red One Ltd.

## Topic 3: Temporary Financing – Trade Credit and Commercial Lines of Credit

This topic describes the typical features and conditions of two types of temporary financing, trade credit and lines of credit, and how to calculate their effective cost of borrowing.

### Readings

Section 1.2

#### **Learning Problems**

Cost of Trade Credit

Using a Committed Line of Credit at ABC Company

Using a Committed Line of Credit at Sampson Ltd.

Using a Committed Line of Credit at Hanson Ltd.

#### **Answer Keys**

Cost of Trade Credit

Using a Committed Line of Credit at ABC Company

Using a Committed Line of Credit at Sampson Ltd.

Using a Committed Line of Credit at Hanson Ltd.

## Topic 4: Permanent Financing – Commercial Mortgage Loans

This topic describes the typical features and conditions of a mortgage loan and how to calculate mortgage loan payments and amortization schedules.

### Readings

Section 1.3 (Commercial Mortgage Loans only)

#### **Learning Problems**

Nominal and Effective Rates

Mortgage Loan with Blended, Equal Monthly Payments at Rose Company

Mortgage Loan with Blended, Equal Monthly Payments at Wilson Company

Mortgage Loan with Blended, Equal Monthly Payments at Belair Ltd.

#### **Answer Keys**

Nominal and Effective Rates

Mortgage Loan with Blended, Equal Monthly Payments at Rose Company

Mortgage Loan with Blended, Equal Monthly Payments at Wilson Company

Mortgage Loan with Blended, Equal Monthly Payments at Belair Ltd.

## Topic 5: Permanent Financing – Term Loans and Revolving Credit Facilities

This topic describes the typical features and conditions of a term loan and how to calculate term loan payments and amortization schedules. It also looks at examples of how operating lines of credit, mortgages, term loans, and revolving credit facilities are employed at Canadian companies.

### Readings

Sections 1.3 (Term Loans and Revolving Credit Facilities only) and 1.4

#### **Learning Problems**

Term Loan with Blended, Equal Monthly Payments at ABC Company

Term Loan with Blended, Equal Monthly Payments at Delta Ltd.

Term Loan with Customized Repayment at Jenkins Company

Term Loan with Customized Repayment at Easton Inc.

#### **Answer Keys**

Term Loan with Blended, Equal Monthly Payments at ABC Company

Term Loan with Blended, Equal Monthly Payments at Delta Ltd.

Term Loan with Customized Repayment at Jenkins Company

Term Loan with Customized Repayment at Easton Inc.

## Module Summary

In this module, you learned about the importance of matching the maturities of a company’s assets and liabilities and some of the sources of temporary and permanent debt financing available.