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|  **Course Outline****Department of Accounting, Finance, and Law****Bob Gaglardi School of Business and Economics** |

 **BUSN 6210-3 (3,0,0)**

**Advanced Corporate Finance**

**Calendar Description**

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| Building on BUSN 6020, students further develop their knowledge and skills in corporate financial management. Topics include corporate governance and executive compensation; permanent debt and equity financing; working capital management; business valuation; mergers and acquisitions and corporate restructuring; bankruptcy, liquidation, and reorganization; and hedging financial risk using derivatives. |

**Educational Objectives/Outcomes**

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| Upon completion of this course, students will be able to:1. Evaluate an organization’s corporate governance and executive compensation systems.
2. Analyze different sources of permanent debt and equity financing.
3. Manage an organization’s operating assets and liabilities, including temporary financing.
4. Value a business using income-based, market-multiple and asset-based approaches.
5. Recommend an appropriate takeover bid for a business and suitable takeover defences.
6. Explain the rationale for divestitures and other forms of corporate restructuring.
7. Develop a plan to liquidate or reorganize a business experiencing financial distress.
8. Demonstrate appropriate hedging strategies for different business risks.
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**Prerequisites**

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| BUSN 6020 Corporate Finance or equivalent |

**Co-requisites**

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| None |

**Texts/Materials**

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| Course ModulesCorporate Governance and Executive CompensationPermanent Debt and Equity FinancingWorking Capital ManagementBusiness ValuationMergers and Acquisitions and Corporate RestructuringBankruptcy, Liquidation, ReorganizationHedging Financial Risks Using Derivatives |

**Student Evaluation**

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| The evaluation consists of:Quizzes (7) - 20%Cases (3) - 25%Mid-term - 15%Final exam - 40%Students must pass the final exam to receive a passing grade for the course. |

**Course Topics**

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| 1.  Corporate Governance and Executive Compensation* Goal of the firm and agency costs
* Corporate governance overview
	+ Role of the board of directors
	+ Shareholder rights
	+ History of corporate governance in Canada
* Corporate governance best practices
	+ NI 51-201 Corporate Governance Guidelines – Canadian Securities Administrators (CSA)
	+ NI 58-101 Disclosure of Corporate Governance Practices – CSA
	+ Building High Performance Boards – Canadian Coalition for Good Governance
	+ The Corporate Governance of Listed Companies:  A Manual for Investors – CFA Institute
* Corporate governance in practice
* Corporate governance ratings
	+ ISS Governance Quality Scores
* Responsibilities of directors
	+ Fiduciary duty
	+ Duty of care
	+ Business judgement
	+ Confidentiality
	+ Conflict of interest
	+ Director liability
* Professional accreditation
	+ Institute of Corporate Directors (ICD)
	+ ICD.D professional designation
* Executive compensation
	+ CCGG Executive Compensation Principles
	+ Elements of executive compensation
		- Salary and bonus
		- Retirement plans
		- Benefits and other perquisites
		- Severance and change-in-control entitlements
		- Long-term incentives
			* Executive stock options (ESOs)
			* Restrictive share units (RSUs)
			* Performance share units (PSUs)
			* Deferred share units (DSUs)
* Director compensation
	+ CCGG Director Compensation Policy
* Research results

 * + - * 1. Permanent Debt and Equity Financing
	+ Commercial lending
		- Commercial lenders
		- Lending and monitoring process
		- Syndicated loans and loan participations
		- Mezzanine financing
		- Bridge loans
		- Project financing
		- Securitization
		- Leasing
	+ Operating versus financial leases
	+ Pros and cons of leasing
	+ Lease capitalization
	+ Calculating lease payments
	+ Lease or buy decision
		- Corporate bond financing
		- Bonds versus commercial loans
		- Public and private placements
		- Bond provisions
		- Interest rates and currency
		- Covenants
		- Call options and bond refinancing decision
		- Conversion features
		- Bond sinking and purchase funds
		- Credit ratings
		- Collateral, subordination, and guarantees
	+ Equity financing
		- Self-funding
		- Crowdfunding
	+ Private equity
	+ Angels, incubators, accelerators
	+ Venture capital
	+ Franchising
	+ Retained earnings
	+ Common and preferred shares
	+ Going public and public equity placements
	+ Private equity placements
	+ Dividend re-investment plans and stock purchase plans
	+ Rights offerings
	+ Limited partnerships
	+ Joint ventures and strategic alliances
	+ Employee stock ownership plans (ESOP)
	+ Government financing programs
	+ Business Development Bank of Canada (BDBC)
	+ Export Development Corporation (EDC)
	+ Other government lending programs

3. Working Capital Management* Managing cash
* Effective cash management practices
* Electronic payment
* Managing the float
* Cash concentration
* Investing temporary cash surpluses
* Treasury bills
* Term deposits and certificates of deposit
* Bearer deposit notes
* Commercial paper, asset-backed commercial paper, sales finance paper, and bankers’ acceptances
* Short-dated bonds
* Repurchase agreements
* Euro deposits
* Money market funds
* Managing accounts receivable
* Types of credit
* Credit terms
* Credit approvals
* Collections
* Credit monitoring
* Managing inventory
* Inventory management techniques
* Supply chain technology
* ABC analysis
* Economic order quantity (EOQ)
* Materials resource planning (MRP)
* Just-in-time (JIT) inventory and manufacturing
* Vendor-managed inventory (VMI)
* Concurrent engineering
* Outsourcing
* Lean manufacturing
* Key performance indicators
* Sources of temporary financing
* Specific assignment of accounts receivable
* Specific assignment of inventory
* Purchase order financing
* Factoring and reverse factoring
* Securitization
* Commercial paper and bankers’ acceptances
* Letters of credit
1. Business Valuation
	* Definitions of value
	* Applications of business valuation
	* Sell-side and buy-side analysts
	* Valuation methods
	* Income approaches – DDM, FCFE, FCFF
	* One-stage, two-state, and three-stage models
	* Estimating growth rate
	* Historical growth rate
	* Forward-looking growth rate
	* Sustainable growth rate
	* Special applications of the income approach
	* Non-operating assets
	* Multi-unit businesses
	* Cyclical companies
	* Distressed companies
	* Market multiples – P/E, P/BV, P/S, P/CF, EV/EBITDA
	* Rationale for different multiples
	* Calculating normalized earnings, book value, sales, cash flows, and EBITDA
	* Calculating the benchmark multiples
	* Justified P/E based on fundamentals
	* Comparable companies
	* Multi-regression analysis
	* Historical average price multiples
	* Asset-based approach
	* Suitability of valuation methods
	* Control premiums, marketability discounts, and valuing private firms
	* Professional designations
2. Mergers and Acquisitions and Corporate Restructuring
* Types of synergies
* Reasons not to engage in M&As
* Types of M&As
* Mergers – Negotiation or proxy
* Acquisition of stock – Cash, stock, or mixed offer
* Acquisition of assets
* Take-over bid process and disclosures
* Take-over defences
* Calculating a take-over bid
* Success of M&As
* Other types of corporate restructuring
* Divestitures
* Spin-offs, split-offs, and split-ups
* Tracking shares
1. Bankruptcy, Liquidation, and Reorganization
* Warning signs and causes of financial distress
* Tools for analyzing financial distress
* Legal framework and key players in the bankruptcy process
* Informal and formal bankruptcy
* Acts of bankruptcy
* Liquidation process and priority of claims
* Reorganization process and developing proposals
* Vulture capitalists and strategic bankruptcy
* Professional designation
1. Hedging Financial Risk Using Derivatives
* Types of insurance
* Property
* Liability
* Key person
* Business interruption
* Export
* Types of financial risk
* Currency risk
* Interest rate risk
* Commodity price risk
* Hedging short-term and long-term risk exposures
* Forwards
* Futures
* Swaps
* Options
* Natural hedging
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