

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

 **FNCE 4130-01 (3,0,0)**

**Advanced Financial Management**

**Fall, 2025**

|  |  |
| --- | --- |
| Instructor:  | Phone:  |
| Office:  | E-mail:  |
| Office Hours:  |

**Calendar Description**

|  |
| --- |
| Building on FNCE 2120: Financial Management, students further develop their knowledge and skills in business finance. Topics include corporate governance and executive compensation; dividends and dividend policy; matching the maturities of assets and liabilities; short-term and long-term financial planning; sustainable growth; working capital management and sources of temporary financing; permanent financing sources; capital budgeting under uncertainty; and optimal capital structure. |

**Educational Objectives/Outcomes**

|  |
| --- |
| Upon completion of this course, students will be able to:1. Evaluate an organization’s corporate governance and executive compensation systems.
2. Formulate an appropriate dividend policy for a business.
3. Assess the degree to which a company matches the maturity of its assets and liabilities and the problems mismatching can create.
4. Develop a short-term and long-term financial plan for an organization that adheres to its lending covenants, follows its financial policies, and attains its operational and financial goals.
5. Manage a company’s sustainable growth rate to minimize its dependence on external financing.
6. Manage an organization’s operating assets and liabilities.
7. Appraise the different forms of permanent debt and equity financing.
8. Calculate the net present value of a new project or business venture using complex capital budgeting techniques under conditions of uncertainty.
9. Determine a company’s optimal capital structure.
 |

**Prerequisites**

|  |
| --- |
| FNCE 2120 or equivalent with a minimum C+; ECON 2330 or equivalent with a minimum C-Note: Students cannot receive credit for more than one of FNCE 4130, FNCE 4110 or FNCE 4111. |

**Co-requisites**

|  |
| --- |
| None |

**Texts/Materials**

|  |
| --- |
| Review ModulesFinancial Statement AnalysisCourse ModulesDividends and Dividend PolicyMaturity MatchingFinancial Planning and GrowthWorking Capital ManagementPermanent Debt and Equity FinancingCapital BudgetingOptimal Capital StructureCorporate Governance and Executive Compensation |

**Student Evaluation**

|  |
| --- |
| The evaluation consists of:Quizzes (9) - 20%Cases (2) - 25%Mid-term exam - 15%Final exam - 40%Students must pass the final exam to receive a passing grade for the course. Ten percent of the total weightings for the course will be moved from the mid-term exam to the final exam if it increases a student’s final grade.QuizzesQuizzes help ensure students are thoroughly familiar with the readings in each module.  They are 20 minutes long with 30 randomly selected true/false or multiple-choice questions.  Quizzes cover the readings only and NOT the Learning Problems. The problems are tested on the Mid-term and Final Exams.  Students should thoroughly study the Readings to prepare for the quiz. Each quiz is delivered online through Moodle.  Links to the quizzes are located in the Quizzes section of the Moodle site.  Students can open a quiz anytime between 6:00 AM and 11:59 PM on the Fridays designated in the course outline, and it will close automatically after 20 minutes.  Once a question is answered, students cannot change their responses. Quizzes are "closed book," meaning the course materials and other information cannot be referenced during the quiz.  Students must not receive assistance from classmates or others while taking the quiz. If a student misses a quiz, they cannot take a re-test and will receive a grade of zero.Case StudiesCase 1:  Proforma financial statementsCase 2: Capital budgetingCases are completed in groups of two students.  They are distributed through Moodle, and responses are submitted using a Moodle drop box.  A grade of zero will be awarded for late submissions unless permission is received in advance from the instructor. Student instructions are provided for each case. Each group member is expected to contribute equally to the preparation of the joint submission.  A group member who feels their partner is not making an equal contribution should discuss it with them first.  If the problem is not rectified, they should contact the instructor, who will take appropriate action, including assigning that person a grade of zero for the case. Mid-term ExamA 75-minute mid-term exam is scheduled during regular class time. The exam consists of qualitative and numerical problems similar to the learning problems at the end of each module. There are no theory questions as that is tested in the Quizzes. A formula sheet is included in the exam.  Any student who misses the mid-term without the instructor’s prior permission will receive a grade of zero.  Illness and family emergencies are generally the only acceptable reasons for missing a midterm, and a substitute exam will be administered in these cases.  A scientific or financial calculator may be used during the exam.  Translators or other electronic devices, such as cell phones, are not permitted.Final ExamA three-hour comprehensive final exam is scheduled during the regular exam period.  The exam consists of qualitative and numerical problems similar to the learning problems at the end of each module. A formula sheet is provided before the exam, which students can print out and use during the exam. Any student who misses the final exam without the instructor’s prior permission will receive a grade of zero.  Illness and family emergencies are generally the only acceptable reasons for missing a final exam, and a substitute exam will be administered in these cases.  A scientific or financial calculator may be used during the exam.  Translators or other electronic devices, such as cell phones, are not permitted.   |

**Course Topics**

|  |
| --- |
| 1. Dividends and Dividend Policy
* Taxation of dividends and capital gains
* Types of dividends
	+ Cash dividends, including regular, extra and special dividends
	+ Dividend payment dates
	+ Dividend reinvestment plans (DRIPs) and stock purchase plans (SPPs)
	+ Liquidating dividends, stock splits, reverse stock splits and stock dividends
* Rationale and mechanics of stock repurchases
* Relevance of dividend policy
	+ Transaction costs
	+ Issuance costs
	+ Irrational investor behaviour
	+ Taxes
	+ Agency costs
	+ Asymmetric information
	+ Bird in hand argument
	+ Financial flexibility
* Business cycle and other factors influencing the dividend decision
* Dividend theories
	+ Clientele effect
	+ Signalling theory
	+ Residual dividend theory
	+ Managed dividend theory
* Dividend policy in practice

2.  Matching Maturities of Assets and Liabilities* Rationale for matching the maturity of assets and liabilities
* Restrictive, flexible and compromise maturity matching policies
* Mismatching the average terms of long-term assets and liabilities
* Maturity matching in practice
* Temporary financing
	+ Trade credit
	+ Commercial line of credit
* Permanent financing
	+ Commercial mortgage loans
	+ Term loans
	+ Revolving credit facilities

3.  Financial Planning and Growth* Rationale for financial planning
* Short-term financial planning
* Long-term financial planning using the percentage-of-sales method
* Sustainable growth rate (SGR)

4.  Working Capital Management* Managing cash
	+ Payment systems
	+ 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 banker’s acceptances
	+ Letters of credit

5.  Sources of 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
	+ Accounting for leases
		- Lease capitalization
		- Tax law changes
	+ Calculating lease payments
	+ Lease or buy decision
	+ Current tax law
* Corporate bond financing
	+ Bonds versus commercial loans
	+ Public and private placements
	+ Bond provisions
		- Interest rates and currency
		- Covenants
		- Call options and 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

6.  Capital Budgeting Under Uncertainty* Review of the capital budgeting process
* Project evaluation methods
	+ Payback period
	+ Discounted payback period
	+ Accounting rate of return (ARR)
	+ Net present value (NPV)
	+ Internal rate of return (IRR)
	+ Profitability index (PI)
* Mathematical problems with IRR
* Applying NPV analysis
	+ Types of capital budgeting decisions
	+ NPV checklist including initial, recurring, and terminal cash flows
	+ Investment tax credits
	+ Capital cost allowance (CCA)
* Incorporating inflation using the nominal and real approaches
* Capital rationing
	+ Hard and soft rationing
	+ Methods of rationing capital
		- * Profitability indexes
			* Using Solver
* Comparing projects of varying lives
* Changes in net working capital
* Taxation effects of terminal cash flows - Recaptures, terminal losses, and capital gains
* Managing risk
	+ Minimum payback period
	+ Adjust the discount rate
	+ Sensitivity, scenario, and simulation analysis
	+ Management options using decision trees
* Complex capital budgeting
	+ Need for more frequent cash flow estimates
	+ Using spreadsheets
		- * 1. Optimal Capital Structure
* Review of optimal capital structure
* Business risk
* Sales risk
* Operating risk and cost structure
* Degree of operating leverage
* Financial risk
* Degree of financial leverage
* Degree of combined leverage
* Tradeoff between business risk and financial risk
* Determination of the optimal capital structure
	+ Industry average ratios
	+ Worst-case scenario
	+ Optimal capital structure theories
		- Modigliani and Miller (MM) without taxes
		- Modigliani and Miller (MM) with taxes
		- Static trade-off theory
		- Pecking order theory
		- Financial slack and unused borrowing capacity
		- Agency theory
		- Signaling theory
	+ Market timing theory
* Other factors affecting capital structure
* Industry practice
	+ - * 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 − CSA
	+ NI 58-101 Disclosure of Corporate Governance Practices − CSA
	+ Building High Performance Boards − CCGG
	+ The Corporate Governance of Listed Companies:  A Manual for Investors – CFA Institute
* Corporate governance in practice
* Corporate governance ratings
	+ ISS Governance Quality Scores (GQS)
* 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
 |

**Course Schedule**

|  |  |  |
| --- | --- | --- |
| **Week** | **Module** | **Evaluation** |
| August 31 – September 6**Monday is a statutory holiday.****Tuesday is Orientation Day.** | IntroductionReview of Financial Statement Analysis | None |
| September 7 – September 13 | Dividends and Dividend Policy | Quiz 1 – Financial Statement AnalysisFriday, September 12 |
| September 14 – September 20 | Maturity Matching | Quiz 2 – Dividends and Dividend PolicyFriday, September 19 |
| September 21 – September 27 | Maturity MatchingFinancial Planning and Growth | Quiz 3 – Maturity MatchingFriday, September 26 |
| September 28 – October 4**Tuesday is a statutory holiday.**  | Financial Planning and Growth | None |
| October 5 – October 11 | Working Capital Management | Quiz 4 – Financial Planning and GrowthFriday, October 10 |
| October 12 – October 18**Monday is a statutory holiday.** | Working Capital Management | Quiz 5 – Working Capital Management Friday, October 17 |
| October 19 – October 25 | Permanent Debt and Equity Financing | Midterm ExamTuesday, October 21 |
| October 26 – November 1 | Permanent Debt and Equity Financing | Case 1 DueSaturday, November 1 |
| November 2 – November 8**Friday is mid-term break.** | Capital Budgeting | Quiz 6 – Permanent Debt and Equity FinancingFriday, November 7 |
| November 9 – November 15**Monday is mid-term break.** | Capital Budgeting | None |
| November 16 – November 22 | Optimal Capital Structure | Quiz 7 – Capital BudgetingFriday, November 21 |
| November 23 – November 29 | Optimal Capital StructureCorporate Governance and Executive Compensation | Quiz 8 – Optimal Capital StructureFriday, November 28Case 2 DueSaturday, November 29 |
| November 30 – December 6 | Corporate Governance and Executive Compensation | Quiz 9 – CGECFriday, November 5 |

**Honour Code**

|  |
| --- |
| SOBE’s honour code states:As a School of Business and Economics student at Thompson Rivers University, I promise to act honestly, ethically, and with integrity. I accept responsibility for my actions. I will not cheat, plagiarize, or condone such behaviour in others. |

**Academic Integrity**

|  |
| --- |
| TRU Policy ED 5-0 Academic Integrity outlines the different types of infractions and the enforcement mechanisms used by the university. All students are encouraged to familiarize themselves with this policy to avoid a violation. |

**Grading**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| TRU Policy ED 3-5 Grading Systems describes the grading system to be followed in all courses at TRU to help ensure the comparability of grades across campus. Letter grades do not become official until they are approved by the Chairperson responsible for the course, and they subsequently appear on the student’s transcript. For undergraduate classes, the letter grade system is:

|  |  |  |  |
| --- | --- | --- | --- |
| **Letter Grade** | **Numerical Grade** | **Grade Points** | **Letter Grade Definitions** |
| A+AA- | 90-10085-8980-84 | 4.334.003.67 | Excellent. Superior performance showing a comprehensive, in-depth understanding of the subject matter. Demonstrates initiative and fluency of expression. |
| B+BB- | 77-7973-7670-72 | 3.333.002.67 | Very Good. Clearly above average performance with knowledge of principles and facts, generally complete with no serious deficiencies. |
| C+C | 65-6960-64 | 2.332.00 | Satisfactory. Basic understanding with knowledge of principles and facts, at least adequate to communicate intelligently in the discipline. |
| C- | 55-59 | 1.67 | Pass. Some understanding of principles and facts, but with definite deficiencies. |
| D | 50-54 | 1.00 | Minimal Pass. A passing grade indicates marginal performance. The student is not likely to succeed in subsequent courses in the subject. |
| F | 0-49 | 0.00 | Unsatisfactory. Fail. Knowledge of principles and facts is fragmentary. |
| DNC |  | 0.00 | Did not complete the course, less than 50% of the course work completed, or mandatory course component(s) not completed. No official withdrawal. |

 |

**Attendance**

|  |
| --- |
| TRU Policy ED 3-5 Student Attendance states that students may be:* Removed from a course if they miss the first two classes without prior arrangements that are acceptable to the instructor.
* Refused admission to a course by the instructor for lateness, class misconduct, or failure to complete required work.
* Removed from a course by the instructor for deficient attendance without cause, with the permission of the instructor’s Chairperson or Dean.

This semester, your instructor will enforce the following rules:* Cell phones should be turned off and stored away during class unless authorized.
* Students are required to attend regularly.  Attendance will be taken, and those who miss more than five classes during the semester will be removed.  Students who are removed will receive a Withdrawal (“W”) on their transcript if they leave before the drop date set by TRU’s Registrar.  If they are removed after the drop date, they will receive a Did Not Complete (“DNC”).
* Students must arrive at class on time.  If they are late, the instructor may allow the student to enter the classroom or deny admission.  In either situation, the student will be marked absent.
* The absences permitted are for any reason, including work or medical.  Students who inform their instructors of their absence ahead of time will still be marked absent.  Students should set a goal of zero absences and use the absences allowed for emergencies only.  Exceptions are only made for students experiencing serious medical or family issues.
 |