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

**FNCE 4110-01 (3,0,0)**

**Advanced Financial Management for Accountants**

**Winter, 2025**

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

**Calendar Description**

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| Building on FNCE 2120: Financial Management, students majoring in accounting further develop the knowledge and skills in business finance required for admission to the Chartered Professional Accountant program. Topics include dividends and dividend policy; maturity matching of assets and liabilities; financial planning and growth; working capital management; permanent debt and equity financing; hedging financial risk using derivatives; business valuation; mergers and acquisitions and corporate restructuring; and bankruptcy, liquidation, and reorganization. |

**Educational Objectives/Outcomes**

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| Upon completion of this course, students will be able to:   1. Formulate an appropriate dividend policy for a business. 2. Analyze the degree to which a company matches the maturity of its assets and liabilities and the problems mismatching may create. 3. 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. 4. Manage a company’s sustainable growth rate to minimize its dependence on external financing. 5. Manage an organization’s operating assets and liabilities, including temporary financing. 6. Assess the various forms of permanent debt and equity financing. 7. Hedge a company’s financial risks using derivatives. 8. Measure the worth of a business using different valuation techniques. 9. Recommend an appropriate takeover bid for a business and suitable takeover defences. 10. Discuss the rationale for divestitures and other forms of corporate restructuring. 11. Develop a plan to liquidate or reorganize a business experiencing financial distress. |

**Prerequisites**

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| 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 4110, FNCE 4111, FNCE 4120, and FNCE 4130. |

**Co-requisites**

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| None |

**Texts/Materials**

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| Review Modules  Financial Statement Analysis  Course Modules  Dividends and Dividend Policy  Maturity Matching  Financial Planning and Growth  Working Capital Management  Permanent Debt and Equity Financing  Hedging Financial Risk Using Derivatives  Business Valuation  Mergers and Acquisitions and Corporate Restructuring  Bankruptcy, Liquidation, Reorganization |

**Student Evaluation**

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| 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.  Quizzes  Quizzes 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 go back and 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 Studies  Case 1:  Proforma financial statements  Case 2:  Business valuation and restructuring  Cases 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 Exam  A 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 provided, which 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 Exam  A 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**

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| 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  1. Maturity Matching 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  1. 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)  1. 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 bankers’ acceptances * Letters of credit  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    * 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 2. Hedging Financial Risk Using Derivatives  * Types of financial risk * Currency risk * Interest rate risk * Commodity price risk * Hedging short-term and long-term risk exposures * Insurance * Forwards * Futures * Swaps * Options * Natural hedging  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    * Implied growth rate or cost of capital    * Market multiples – P/E, P/BV, P/S    * Rationale for different multiples    * Calculating normalized earnings, book value, and sales    * Calculating the benchmark multiples    * Justified P/E based on fundamentals    * Comparable companies    * Multi-regression analysis    * Historical average price multiples    * Suitability of valuation methods    * Control premiums, marketability discounts, and valuing private firms    * Professional designations 2. Mergers and Acquisitions (M&As) 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 * Analyzing the division of synergies * 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 |

**Course Schedule**

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| **Week** | **Module** | **Evaluation** |
| August 31 – September 6  **Monday is a statutory holiday.**  **Tuesday is Orientation Day.** | Introduction  Review of Financial Statement Analysis | None |
| September 7 – September 13 | Dividends and Dividend Policy  Maturity Matching | Quiz 1 – Financial Statement Analysis  Friday, September 12 |
| September 14 – September 20 | Maturity Matching | Quiz 2 – Dividends and Dividend Policy  Friday, September 19 |
| September 21 – September 27 | Financial Planning and Growth | Quiz 3 – Maturity Matching  Friday, September 26 |
| September 28 – October 4  **Tuesday is a statutory holiday.** | Working Capital Management | Quiz 4 – Financial Planning and Growth  Friday, October 3 |
| October 5 – October 11 | Working Capital Management | Quiz 5 – Working Capital Management  Friday, October 10 |
| October 12 – October 18  **Monday is a statutory holiday.** | Permanent Debt and Equity Financing | Mid-term Exam  Friday, October 17 |
| October 19 – October 25 | Permanent Debt and Equity Financing |  |
| October 26 – November 1 | Hedging Financial Risk Using Derivatives | Quiz 6 – Permanent Financing  Friday, October 31  Case 1 Due  Saturday, November 1 |
| November 2 – November 8  **Friday is mid-term break.** | Business Valuation | Quiz 7 – Hedging Financial Risk Using Derivatives  Friday, November 8 |
| November 9 – November 15  **Monday is mid-term break.** | Business Valuation | None |
| November 16 – November 22 | M&A and Corporate Restructuring | Quiz 8 – Business Valuation  Friday, November 21 |
| November 23 – November 29 | M&A and Corporate Restructuring  Bankruptcy, Liquidation and Reorganization | Quiz 9 – M&A and Corporate Restructuring  Friday, November 28 |
| November 30 – December 6 | Bankruptcy, Liquidation and Reorganization | Quiz 10 – Bankruptcy, Liquidation, Reorganization  Friday, November 5  Case 2 Due  Friday, December 5 |

**Honour Code**

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| 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**

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| 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**

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| 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+  A  A- | 90-100  85-89  80-84 | 4.33  4.00  3.67 | Excellent. Superior performance showing a comprehensive, in-depth understanding of the subject matter. Demonstrates initiative and fluency of expression. | | B+  B  B- | 77-79  73-76  70-72 | 3.33  3.00  2.67 | Very Good. Clearly above average performance with knowledge of principles and facts, generally complete with no serious deficiencies. | | C+  C | 65-69  60-64 | 2.33  2.00 | Satisfactory. A basic understanding with knowledge of principles and facts is at least adequate for communicating 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. Students are 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**

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| 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 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 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 before the start of class 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. |