

THOMPSON RIVERS UNIVERSITY

Course Outline

Department of Accounting and Finance
School of Business and Economics

BUSN 6210/1-3 **Advanced Corporate Finance (3,0,0)**

Calendar Description

Building on BUSN 6020: Corporate Finance, students continue to develop their knowledge and skills in corporate finance. Topics include long-term financial planning; sources of long-term financing; working capital management; sources of short-term financing; international corporate finance; risk management; business valuation; mergers and acquisitions; corporate restructuring; bankruptcy, reorganization, and liquidation; and Economic Value Added.

Educational Objectives/Outcomes

After completing this course, students should be able to:

1. Design a long-term financial plan for an organization.
2. Analyze different sources of debt and equity financing.
3. Discuss practices to optimize the use of net working capital.
4. Analyze different sources of short-term debt financing.
5. Describe how corporate finance practices vary for international operations.
6. Demonstrate appropriate hedging strategies for different business risks.
7. Value a business using the income-based approach.
8. Value a business using the market-multiple and asset-based approaches.
9. Recommend an appropriate takeover bid for a business and suitable takeover defenses.
10. Explain the rationale for different forms of corporate restructuring.
11. Develop a plan to successfully liquidate or reorganize a business experiencing financial difficulties.
12. Measure the financial performance of a business using the principles of Economic Value-Added.

Prerequisites

BUSN 6020 or BUSN 6021

Co-requisites

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Texts/Materials

Textbook

Ross, S. A., Westerfield, R. D., Jordan, B. D., & Roberts, G. S. (2013). Fundamentals of Corporate Finance (8th Canadian ed.). Toronto: McGraw-Hill Ryerson.

Student Evaluation

Campus

Class participation/discussions	10%
Assignments	30%
Midterm(s)	30%
Final exam	40%

Online

Discussions (6)	12%
Team evaluation	3%
Case studies (3)	45%
Final exam	40%

Students must pass the final exam (minimum 50%) to pass the course.

Course Topics

1. Long-term Financial Planning
 - Percentage of sales method
 - Sustainable growth rate
2. Sources of Long-term Financing
 - Debt financing
 - Bank lending
 - Bonds
 - Leasing
 - Project financing
 - Equity financing
 - Start-up capital
 - Initial public and secondary offerings
 - Franchising
 - Joint ventures
 - Limited partnerships
 - Private equity

- Angels
- Venture capital
- Troubled firms
- Mezzanine
- Government financing programs
 - Business Development Bank of Canada (BDBC)
 - Export Development Corporation (EDC)

3. Working Capital Management

- Cash management
- Credit management
- Inventory management

4. Sources of Short-term Financing

- Trade credit and other payables
- Line of credit/revolving credit agreement
- Specific assignments of accounts receivable and inventory
- Factoring
- Securitization of assets
- Commercial paper and banker's acceptances
- Letters of credit

5. International Corporate Finance

- Exchange markets and risks
- International capital budgeting
- Sources of international financing

6. Risk Management

- Types of risks - price, interest rate, exchange rate, and commodity price risks
- Other risks – fire, theft, third party liability, life of key managers
- Using forward, future, swap, and option contracts to hedge risks

7. Business Valuation I

- Income approaches
 - Dividend discount model
 - Free cash flow to equity
 - Free cash flow to firm
 - Residual income
- Valuation discounts and premiums

8. Business Valuation II

- Market multiple approaches
 - Price/earnings
 - Price/book

- Price/sales
- Price/cash flow
- Enterprise value/EBITDA
- Asset based

9. Mergers & Acquisitions (M&A)

- Types of M&A
 - Mergers – negotiation, proxy fight
 - Acquisition of stock – cash, stock swap
 - Acquisition of assets
- Rationale for M&A
- Takeover bid process
- Takeover defenses
- Valuing a takeover target – income approach, comparable companies, comparable transactions
- Evaluating takeover offers
- M&A cycle and the success of M&A

10. Corporate Restructuring

- Divestitures, spin-offs, split-offs, split-ups, tracking shares

11. Bankruptcy, Reorganization, Liquidation

- Causes of financial distress
- Conditions for bankruptcy
- Formal versus informal bankruptcy
- Liquidation
- Reorganization
- Bankruptcy strategy

12. Economics Value Added (EVA)

- Problems with traditional measures of corporate performance
- Market value added (MVA) versus economic value added (EVA)
- Calculating net operating profit after tax (NOPAT) and EVA
- Effects of the use of EVA on corporate performance

Methods for Prior Learning Assessment and Recognition

Students can apply for PLAR in any course but it cannot be used to meet the program residency requirements.

Attendance Requirements – Include if different from TRU Policy

As per TRU policy.

Special Course Activities – Optional

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Use of Technology – Optional

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