Module 6
Corporate Finance
Overview
INTRODUCTION
Welcome to Module 6 — Corporate Finance. This six-week module introduces you to finance concepts and provides you with essential knowledge of various tools used in corporate finance. You will examine the corporate financial environment and its impact on decision-making, introductory finance concepts (including the time value of money, investing and risk management) and distribution of earnings. In addition, you will look at capital-budgeting techniques and short-, medium- and long-term financing decisions, financial analysis, and valuation.

COURSE PREREQUISITES
• The prerequisites for this course are:
  o Introductory Financial Accounting
  o Introductory Management Accounting
• Mathematics: You are expected to have a sound understanding of basic mathematics and their application in the business context. The required level of knowledge can be gained from any standard business mathematics text.
• Software skills: You are expected to have basic competence with Microsoft Windows and Microsoft Excel.

STRUCTURE AND DELIVERY
Module 6 is delivered over six weeks and includes the following material:
• Student Notes
• Practice Problems with Solutions
• Student Slides (PDF format)
• In-Class Problems
• Quizzes
• Videos
• Suggested Study Plans
• Projects
The student notes are the basis for learning the material presented in the course. The notes cover each concept in sufficient detail as related to the competency map. The practice problems give you individual practice in mastering the concepts taught in the student notes. The student slides provide a summary of the concepts covered in the course and should be used concurrently while reviewing the videos and during in-class lectures. In-class problems (ICPs) are facilitator led — either taught in-class or, for distance students, presented as a video of each ICP. ICPs help you establish an effective approach to use while working through the practice problems. Quizzes and projects are detailed below in the assessment section. Finally, suggested study plans are provided to assist in planning study time. You are encouraged to personalize these plans to meet your individual needs.

THE CPA WAY
You are encouraged to use the CPA Way, a methodical process for working through complex problems, when answering judgment-based questions in the course materials. CPA Way videos are located on the course homepage.

ASSESSMENTS
The overall mark needed to pass the module is 60% (with an average of 65% across all prerequisite modules required for entry into the CPA Professional Education Program). There are three components in the evaluation of Module 6: quizzes, the projects and the final exam.

Projects
- The projects are worth 18% of the module mark.
- Completion and submission of the projects is mandatory.
- Study group discussion/collaboration is encouraged, but you must individually complete and submit your projects.
- There are two separate projects:
  - Project 1 is due at the end of Week 3.
  - Project 2 is due at the end of Week 5.
- Ensure that you submit your work online by the required dates and times listed in the calendar in D2L. The projects cannot be submitted late.
- The projects will require approximately 15 to 20 hours of work in total.
- Upload your submission to D2L following the instructions in the Project Formatting checklist.
- It is highly recommended that you start working on the projects after you have reviewed the content for each week. This will prevent you from spending a large amount of time completing the projects near the due dates.
**Quizzes**
- Quizzes are worth 12% of the module mark.
- You are encouraged to print off the quiz questions and work through them as you study each week’s material.
- Study group discussion/collaboration is encouraged, but you must individually complete all quizzes.
- Quizzes are due at the end of each week. Ensure that you submit your answers online by the required dates and times listed in the calendar in D2L. *Do not wait until the last minute to submit in case you have an internet connection problem.* There is only one opportunity to submit each quiz.
- Quizzes are graded based on the marks you receive. (If you answer four out of the five questions on the quiz correctly, you would receive 80% on that quiz.)

**Exam**
- The exam is worth 70% of the module mark.
- It is four hours in length.
- It consists of approximately 50% multiple-choice questions, and approximately 50% constructed-response questions.
- An exam review webinar will take place for study purposes. The webinar will be recorded and available on D2L.
- The exam tests material covered throughout the entire module.
- Your provincial/regional affiliate will communicate the date and time of the final exam.
- The exam must be written in order to pass the module.

**Rewriting the exam**
- Students who score 50% or more in the module can attempt to write the exam again in the next available offering of the module. The mark received on this exam attempt will replace the mark received for the previously written exam (70% of the module mark).
- For study purposes, exam review materials will be posted after the final module marks are released.
- Your provincial/regional affiliate will communicate the date and time of the next available offering of the module exam.

**MARKS CALCULATION EXAMPLE**
The following scenarios with Student A and Student B demonstrate how module marks are calculated.
**Student A**

Student A struggled to complete the quizzes and received a mark of 1/5 on three of the quizzes and 2/5 on the other three. Quizzes are worth 12% of the final mark, or 2% per quiz. Student A received a mark of 15 out of 40 on the first project and 15 out of 45 on the second. Projects are worth 18% of the final mark, or 9% each. Student A received a mark of 55% on the exam, which is worth 70% of the final mark. Student A’s final module mark would be calculated as follows:

- **Quizzes** = \((1/5 \times 2) + (1/5 \times 2) + (1/5 \times 2) + (2/5 \times 2) + (2/5 \times 2) = 3.6\)
- **Project 1** = \(15/40 \times 9 = 3.4\)
- **Project 2** = \(15/45 \times 9 = 3.0\)
- **Exam** = \(55/100 \times 70 = 38.5\)

Final module mark = 3.6 + 3.4 + 3 + 38.5 = 48.5%

**Student B**

Student B did very well on the quizzes, and received a mark of 4/5 on four of the quizzes, and a perfect score of 5/5 on the other two quizzes. Quizzes are worth 12% of the final mark, or 2% per quiz. Student B received 35 out of 40 on the first project and 43 out of 45 on the second. Projects are worth 18% of the final mark, or 9% each. Student B received a mark of 85% on the exam, which is worth 70% of the final mark. Student B’s final module mark would be calculated as follows:

- **Quizzes** = \((4/5 \times 2) + (4/5 \times 2) + (4/5 \times 2) + (4/5 \times 2) + (5/5 \times 2) = 10.4\)
- **Project 1** = \(35/40 \times 9 = 7.9\)
- **Project 2** = \(43/45 \times 9 = 8.6\)
- **Exam** = \(85/100 \times 70 = 59.5\)

Final module mark = 10.4 + 7.9 + 8.6 + 59.5 = 86.4%

**OVERVIEW OF TOPICS**

The following is a brief overview of the topics covered in Module 6 by week.

**Week 1**

Week 1 provides an introduction to corporate finance by examining the nature and accessibility to financial markets, the efficient-market hypothesis and time value of money concepts. The material discusses the functioning of financial markets, and the nature and use of financial securities. Finally, this week will cover the use of derivatives and the notion of securitization.

**Week 2**

Week 2 looks at a concept fundamental to finance: the weighted average cost of capital (WACC). This week also covers risk and return, as well as financial leverage, along with a discussion of the optimal capital structure and optimal decision-making.
**Week 3**
Week 3 focuses on working-capital management, financial planning and risk management.

**Week 4**
Week 4 focuses on capital budgeting, and lays the foundation for the Week 5 material on capital-budgeting techniques. You will learn about the role of capital budgeting, as well as the various inputs into determining cash flows. Finally, the tax effects are considered, as well as the effects of non-cash items.

**Week 5**
Week 5 is a continuation of the Week 4 material on capital budgeting, and details the various capital-budgeting methods including NPV, payback period and IRR. In addition, the material looks at lease financing and dividends.

**Week 6**
Week 6 examines financial analysis and valuation. Ratio, horizontal, vertical, trend and sensitivity analyses are discussed. The material then illustrates the implementation of various valuation techniques, as well as various methods for expanding and contracting a business. This week’s discussion will end with a look at international considerations from a finance perspective.