Corporate Finance
Overview
OVERVIEW

INTRODUCTION
Welcome to Corporate Finance. This six-week course introduces you to finance concepts and essential 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. This course will require extensive use of a financial calculator. If you haven’t used one before, you should become familiar with it before working through the course material.

COURSE PREREQUISITES
- The prerequisites for this course are the following courses or equivalent post-secondary course credits:
  - Introductory Financial Accounting
  - 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
Corporate Finance is delivered over six weeks and includes the following material:
- Student Notes
- Practice Problems and Practice Problem 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 CPA 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.

**CPA CANADA LEARNING EBOOK**

A link to the *CPA Canada Learning eBook* is available through the Knotia link and contains useful chapters that provide additional clarity on many topics, as well as multiple-choice questions for you to practise on.

**ASSESSMENTS**

Students must have a minimum of 50% on the exam with an overall mark on the course of 60% or higher. In addition, students must have an average of 65% across all core prerequisite courses required for entry into the CPA Professional Education Program. There are three components in the evaluation of Corporate Finance: quizzes, the projects, and the final exam.

**Projects**

- The projects are worth 18% of the course 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 Brightspace (D2L). **The projects cannot be submitted late.**
• The projects will require approximately 7 to 10 hours of work each.
• Upload your submission to Brightspace (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 course 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 Brightspace (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 your percentage of correct answers. (If you answer four out of the five questions on the quiz correctly, you will receive 80% on that quiz.)

Exam
• The exam is worth 70% of the course 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 Brightspace (D2L).
• The exam tests material covered throughout the entire course.
• Your provincial/regional affiliate will communicate the date and time of the final exam.
• The exam must be written in order to pass the course and a minimum mark of 50% achieved.

Rewriting the exam
• Students who score 50% or more in the course can attempt to write the exam again in the next available offering of the course. The mark received on this exam attempt will replace the mark received for the previously written exam (70% of the course mark).
• For study purposes, exam review materials will be posted after the final course marks are released.

• Your provincial/regional affiliate will communicate the date and time of the next available offering of the course exam.

MARKS CALCULATION EXAMPLE

The following scenarios with Student A and Student B demonstrate how course 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 course mark would be calculated as follows:

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

Final course 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 course mark would be calculated as follows:

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

Final course 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 Corporate Finance 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, Week 1 looks at the ethical use of non-traditional data in financial market analysis.

Week 2
Week 2 looks at a concept fundamental to finance: the weighted average cost of capital. This week also covers financial leverage, along with a discussion of the optimal capital structure and optimal decision-making. Finally, Week 2 includes dividend issuance processes and policies.

Week 3
Week 3 focuses on capital budgeting and lays the foundation for the Week 4 material where you will cover special topics in capital budgeting and lease financing. 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. Details on using the various techniques for capital-budgeting decision-making are also covered.

Week 4
Week 4 is a continuation of the Week 3 material on capital budgeting. The week reviews the process of capital budgeting and provides a comprehensive net present value example. The material covers lease financing, multiple projects with capital rationing, project risk, and international considerations. Week 4 goes on to look at capital budgeting for information technology projects.

Week 5
Week 5 focuses on working capital management and the cash conversion cycle. In addition, this week covers the basic principles of financing and financial planning.

Week 6
Week 6 examines financial analysis and valuation. Ratio, horizontal, vertical, and trend analyses are discussed. In addition, visualization of ratio analysis using Power Bi is covered. 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 treasury risk management and the use of derivative financial securities. Week 6 also touches on margin accounts.