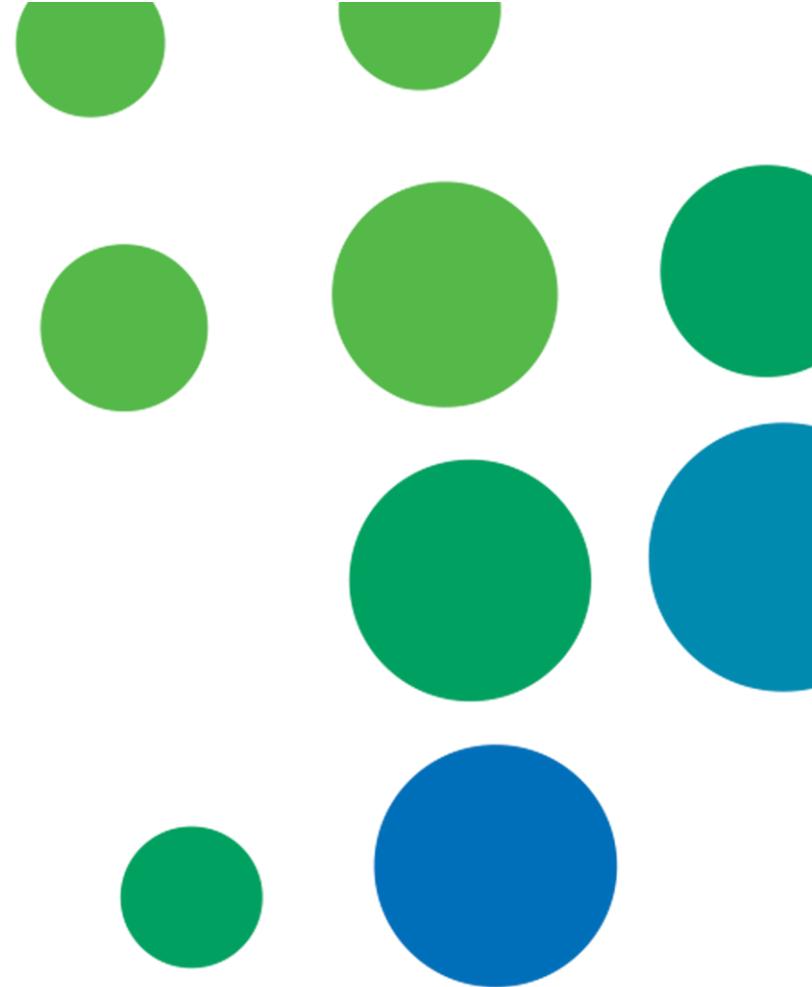


CPA PREPARATORY COURSES
SYLLABUS

Corporate Finance



Purpose

The purpose of this syllabus is to provide information about the Corporate Finance CPA preparatory course. This document has been produced for education administrators, course authors, course examiners, committee members, and resource people in the CPA education system; current and potential students and those who advise them; and others in the professional, academic, and general community.

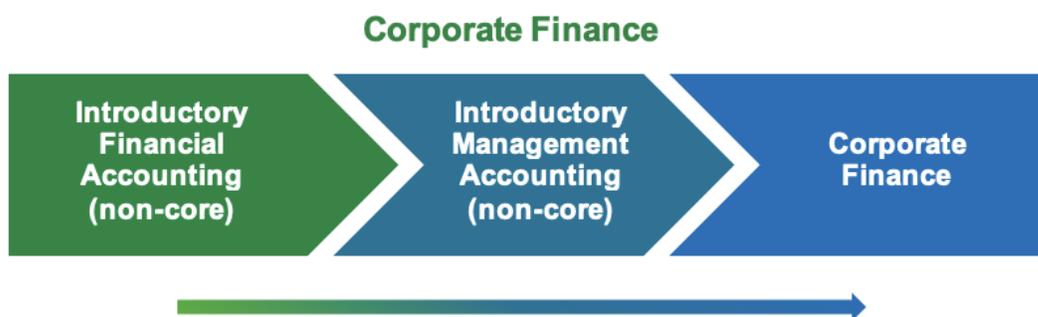
Course Overview

Course description

This six-week core course 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.

Course prerequisites

The prerequisites for this course are the following courses or equivalent post-secondary courses:



Resources

See the Student Guide for a comprehensive list of course resources.

Grading

See the Student Guide for the course grading structure.

Course Outline

The following topics are covered in Corporate Finance:

Unit 1

- Provide an overview of corporate finance, what it is, goals of financial decisions, and a brief description of the type of decisions that are made.
- Provide an overview of the capital and money markets, including the type of securities that are traded and why they exist.
- Describe the mechanisms used by corporations for issuing securities in the primary stock and primary bond markets, and how companies issue securities in a private placement.
- Discuss how information affects the prices of shares and bonds.
- Discuss the time value of money (TVM), which is one of the most fundamental concepts in finance and learn about the TVM formulas and how to perform them using a spreadsheet program such as Excel or a financial calculator.
- Describe the net present value (NPV) technique and how to perform NPV analysis using a spreadsheet program such as Excel.

Unit 2

- Discuss how bonds, preferred shares, and common shares are priced.
- Discuss the risk and return trade-off, how the amount of risk can be statistically measured, the components of total risk, how the design of a portfolio of investments can be used to reduce overall risk using diversification and explain the components of the capital asset pricing model.
- Discuss the objectives in designing an investment portfolio and how, based on these objectives, a portfolio of passive investments can be selected.
- Discuss the details on how to calculate cost of capital.
- Discuss the capital structure (the mix of debt and equity used to finance operations) of a company.

Unit 3

- Review the capital budgeting process, identify and calculate the cash flows that are included in the capital budget analysis, and determine the appropriate discount rate to apply.
- Determine if a project should be accepted or not, using three commonly used methods: net present value, payback period, and internal rate of return, and evaluate the impact of variations in the underlying assumptions on future cash flow projections.
- Describe the terms used in leases, the advantages and disadvantages of leasing versus borrowing to purchase an asset.

Unit 4

- Review the sources of financing available to an entity, the reasons that capital is required by an entity, and the factors to consider in deciding the type of financing to use at any point in time.
- Discuss the various types of financing that represent short-term and long-term debt, and summarize the nature of their features and their impact on the entity and stakeholders' objectives.
- Review the terms and conditions of newly issued common and preferred shares.
- Discuss the types of distributions that can be made by a company, and the issues to consider in determining the nature and amount of any distributions.

Unit 5

- Assess the financial statements and the entity within the context of its operations and strategy, industry, peers, and the current economy. Calculate relevant financial ratios and develop vertical and horizontal financial statements to assist with gaining these insights.
- Discuss the methods and tools that can be used to transform data and information into knowledge. Describe how data visualizations present complex data for interpretation.
- Discuss the methods a company should use to manage working capital, as well as the costs and benefits that arise from high and low balances.
- Discuss methods of measuring management effectiveness and policies that can be implemented to increase cash flows and the types of investments that are best for idle cash.
- Demonstrate how pro forma statements are prepared and discuss why financial planning is important, including the limitations of forecasting.

Unit 6

- Discuss when a valuation could be required and introduce a variety of commonly used business valuation approaches. Decision trees are provided to aid with the selection of the appropriate valuation method for the situation
- Provide an overview of derivatives and describe the most common types used by companies, including forwards, futures, options, and swaps.
- Discuss financial price risks, political risk, macroeconomic risk, and different risk management approaches adopted by companies.
- Provide an overview of the factors to consider in acquiring or divesting assets or businesses, including the motivations for mergers and acquisitions and what could be acquired and the motivations for divestitures, including three types of common transactions: outright sales of assets, spinoffs, and equity carve-outs.
- Discuss the steps an entity will progress through when in financial distress, including additional costs, and operational changes that may occur.

Reading List

The following chapters from the Finance volume of the eBook are the required readings for the course:

Unit 1

- Chapter 1: Overview of Finance
- Chapter 2: Capital and Money Markets — Overview
- Chapter 3: Capital Markets — Issuing Securities (Lesson 1)
- Chapter 4: Capital Markets — Information Impact on Prices (Lesson 1)
- Chapter 5: Time Value of Money
- Chapter 6: Net Present Value

Unit 2

- Chapter 8: Pricing of Securities
- Chapter 9: Investment and Portfolio Diversification — Risk and Return
- Chapter 10: Investment and Portfolio Diversification — Making the Investment Decision
- Chapter 12: Cost of Capital
- Chapter 14: Capital Structure

Unit 3

- Chapter 16: Capital Budgeting — Overview and Relevant Cash Flows
- Chapter 17: Capital Budgeting — The Investment Decision
- Chapter 19: Leasing (Lesson 1)

Unit 4

- Chapter 20: Source of Financing — Overview
- Chapter 21: Sources of Financing — Debt and Non-Equity (Lesson 1, 2, and 3)
- Chapter 23: Sources of Financing — Equity Sources (Lesson 1)
- Chapter 25: Dividend Policy (Lesson 1)

Unit 5

- Chapter 26: Financial Statement Analysis
- Chapter 27: Working Capital Management (Lesson 1 and 3)
- Chapter 28: Pro Forma Statements and Free Cash Flow

Unit 6

- Chapter 29: Valuations — Big Picture
- Chapter 33: Derivatives and Risk Management — Overview
- Chapter 36: Purchase, Expansion, or Sale of a Business — Overview
- Chapter 38: Financial Troubled Entities (Lesson 1)