

Corporate Finance

Module 1: Corporate Governance

- 1 Learning how to define and describe corporate governance.
- 2 Learning how to discuss and critique characteristics and practices related to Boards of Directors and committee independence, experience, compensation, external consultants and frequency of elections. Determine whether these factors are supportive of shareowner protection.
- 3 Learning how to describe board independence and explaining the importance of independent board members in corporate governance.
- 4 Learning how to identify factors that indicate a board and its members possess the experience required to govern the company for the benefit of its shareowners.
- 5 Learning how to explain provisions that should be included in a strong corporate code of ethics and implications of a weak code of ethics with regard to related-party transactions and personal use of company assets.
- 6 Learning how to state key areas of responsibility for which board committees are typically created, and explaining the criteria for assessing whether each committee is able to adequately represent shareowner interests.
- 7 Learning how to evaluate, from a shareowner's perspective, company policies related to voting rules, shareowner-sponsored proposals, common stock classes and takeover defences.

Module 2: Working Capital Management

- 1 Learning how to describe primary and secondary sources of liquidity and factors that influence a company's liquidity position.
- 2 Learning how to compare a company's liquidity measures with those of peer companies.
- 3 Learning how to evaluate overall working capital effectiveness of a company using the operating and cash conversion cycles and comparing its effectiveness with other peer companies.

- 4 Learning how to identify and evaluate the necessary tools to use in managing a company's net daily cash position.
- 5 Learning how to compute/interpret comparable yields on various securities, comparing portfolio returns against standard benchmarks, and evaluating a company's short-term investment policy guidelines.
- 6 Learning how to assess the performance of a company's accounts receivables, inventory management, and accounts payable functions against historical figures and comparable peer company values.
- 7 Learning how to evaluate the choices of short-term funding available to a company and recommending a financing method.

Module 3: Cost of Capital

- 1 Learning how to calculate and interpret the Weighted Average Cost of Capital (WACC) of a company.
- 2 Learning to describe how taxes from different capital sources affect the cost of capital.
- 3 Learning to describe alternative methods of calculating the weights used in the WACC, including the use of the company's target capital structure.
- 4 Learning to explain how the marginal cost of capital and the investment opportunity schedule are used to determine the optimal capital budget.
- 5 Learning how to explain the marginal cost of capital's role in determining the net present value of a project.
- 6 Learning how to calculate and interpret the cost of fixed rate debt capital using the yield-to-maturity approach and the debt-rating approach.
- 7 Learning how to calculate and interpret the cost of non-callable, non-convertible preferred stock.
- 8 Learning how to calculate and interpret the cost of equity capital using the capital asset pricing model approach, the dividend discount model approach, and the bond-yield-plus-risk-premium approach.

- 9 Learning how to calculate and interpret the beta and cost of capital for a project.
- 10 Learning how to explain the country equity risk premium in the estimation of the cost of equity for a company located in a developing market.
- 11 Learning how to describe the marginal cost of capital schedule, explain why it may be upward-sloping with respect to additional capital, and calculate and interpret its break points.
- 12 Learning how to explain and demonstrate the correct treatment of flotation costs.

Module 4: Capital Budgeting

- 1 Learning how to explain the capital budgeting process, including the typical steps of the process, and distinguishing among the various categories of capital projects.
- 2 Learning how to discuss the basic principles of capital budgeting, including the choice of the proper cash flows.
- 3 Learning to explain how the following project interactions affect the evaluation of a capital project: 1) independent versus mutually exclusive projects; 2) project sequencing; and 3) unlimited funds versus capital rationing.
- 4 Learning how to explain, calculate and interpret the results using each of the following methods to evaluate a single capital project: net present value (NPV); internal rate of return (IRR); payback period; discounted payback period; and profitability index (PI).
- 5 Learning how to explain the NPV profile, comparing and contrasting the NPV and IRR methods when evaluating independent and mutually exclusive projects, and describing the problems associated with each of the evaluation methods.
- 6 Learning how to describe and account for the relative popularity of the various capital budgeting methods and explain the relation between NPV and company value and stock price.

Module 5: Financial Statement Analysis

- 1 Learning how to demonstrate the use of *pro forma* Income and Balance Sheet statements.

Module 6: Measures of Leverage

- 1 Learning how to define and explain leverage, business risk, sales risk, operating risk, and financial risk, and classify a risk, given a description of it.
- 2 Learning how to calculate and interpret the degree of operating leverage, the degree of financial leverage, and the degree of total leverage.
- 3 Learning how to describe the effect of financial leverage on a company's net income and return on equity.
- 4 Learning how to calculate the breakeven quantity of sales and determine the company's net income at various sales levels.
- 5 Learning how to calculate and interpret the operating breakeven quantity of sales.

Module 7: Dividends and Share Repurchase Basics

- 1 Learning how to explain regular cash dividends, extra dividends, stock dividends, stock splits, and reverse stock splits, including their expected effect on a shareholder's wealth and a company's financial ratios.
- 2 Learning how to describe dividend payment chronology, including declaration, holder-of-record, ex-dividend, and payment dates, and indicate when a dividend is reflected in the share price.
- 3 Learning how to compare and contrast share repurchase methods.
- 4 Learning how to calculate and compare the effects of a share repurchase on earnings per share when 1) the repurchase is financed with the company's excess cash and 2) the company uses funded debt to finance the repurchase.
- 5 Learning how to calculate and describe the effect of a share repurchase on book value per share.
- 6 Learning how to explain why a cash dividend and a share repurchase of the same amount are equivalent in terms of the effect on shareholders' wealth, all else being equal.