

INFORMATION FOR MBA STUDENTS: 2018-19

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THE FINANCE AND STRATEGIC BUSINESS VALUATION SPECIALIZATIONS, MINORS AND ELECTIVE CHOICES

What is Finance about?

The DeGroote School's offerings in Finance are intended to help students make informed financial decisions. Basically, there are three major financial decisions that companies and investors have to make. They are:

- *How to invest* – Companies and investors have to decide which assets (projects and securities) they should invest in and at what prices. This decision requires an understanding of investment objectives, risk-return characteristics of various assets (e.g., stocks, bonds, derivatives, and hybrid securities), asset valuation (e.g., capital budgeting and various asset pricing models), and portfolio construction.
- *How to finance and manage investments* – Companies and investors have to choose the best ways to raise funds for the investment, and to control the risk of their investments. This decision requires an understanding of how the capital markets work, the benefits and costs of various sources of funds (e.g., debt vs. equity), dividend policy, and what financial tools (i.e., derivatives and insurance) can be used to control risks.
- *How to manage day-to-day working capital* – Companies and investors have to manage their liquidity. This decision requires an understanding of the benefits and costs of holding liquid assets such as cash, inventories and receivables.

The Finance and Business Economics Area's Objectives and Teaching Approach

The objectives of our Area are twofold. First, we aim to equip you with the knowledge of various finance topics, and how they are linked together. Secondly, and more importantly, our courses will encourage you to develop your thinking skills and analytical skills.

The teaching approach in our courses is a mix of theory and applications. We believe that theory is important because it provides us with a framework in which to think when solving problems. In other words, theory is an important foundation on which you can build coherent thinking skills and analytical skills. These skills and knowledge can then be applied to real-life problems.

Career Paths and Job Prospects

MBA graduates specializing in Finance can look forward to a variety of exciting and satisfying careers. Some of you may be interested in working in the investment management industry (e.g., mutual fund companies, insurance companies, pension funds and investment advisors). Some may want to become investment bankers, financial analysts, or traders. Others may want to work as the treasurer or controller of a non-financial firm. You can choose from our wide range of offerings to suit your personal interests and career goals. Students should also note that the Finance and Business Economics Area works with the CFA Exam Syllabus to ensure that as much of the syllabus as possible is covered by courses offered in the MBA program. Presently the coverage is estimated to be about ninety percent.

In addition to offering the Finance Specialization, the Finance and Business Economic Area offers the Strategic Business Valuation Specialization for students aspiring to a career focusing on the valuation of small businesses. Minors in both Finance and Strategic Business Valuation are also offered. The Area also offers a Master of Finance degree program for students with strong quantitative skills

Courses to be Offered in 2018-9 (Tentative)

The Finance and Business Economics Area offers a wide variety of courses to prepare you for your desired role in the financial world. In 2018-19 we plan to offer the following electives:

- F700 - Valuation for Finance Professionals
- F701 - Alternative Investments and Portfolio Management
- F711 - Financial Institutions
- F712 - Applied Corporate Finance
- F713 - Security Analysis
- F714 - Options and Futures: Theory and Applications
- F715 - Portfolio Theory and Management
- F717/V701/A750 - Financial Statement Analysis
- F720 - Small Business/Entrepreneurial Finance
- F721 - Mergers, Acquisitions and Corporate Control
- F722 - Market Trading and Risk Management with Options
- F723 - Fixed Income Analysis
- F724/V705 - Venture Capital and Private Equity
- F725 - Personal Financial Management
- F726/V702 - Behavioural Finance
- F730 - Pension, Retirement and Estate Planning
- F731 - Insurance and Risk Management
- F732 - Personal Financial Planning and Advising
- F733 - Financial Risk Management
- F734 - Real Estate Finance and Investment
- F735/V703 - Financial Modelling
- F736 - Ethics and Professional Practice
- F741 - Introduction to FinTech
- V700 - Strategic Business Analysis and Valuation
- V704 - Advanced Strategic Business Valuation

More information about these courses can be obtained from the MBA calendar or the MBA webpage.

Students completing a specialization in the MBA program are required to take a minimum of five electives in the specialization of their choice. Minors require a minimum of three electives. All of the courses listed above, except V700 and V704, qualify for the Finance Specialization and Minor. There are no specific course requirements for either.

As for the Strategic Business Valuation (SBV) specialization, V700 and V704 are required and three of the following must be taken: F712 (Applied Corporate Finance), F713 (Security Analysis), F717/V701 (Financial Statement Analysis), F721 (Mergers, Acquisitions and Corporate Control), F724/V705 (Venture Capital and Private Equity), F726/V702 (Behavioural Finance), and F735/V703 (Financial Modelling). The SBV Minor requires V700 and any two of the courses permitted for the SBV specialization.

Students are also strongly encouraged to take Finance electives if they choose the General MBA or specializations other than Finance or Strategic Business Valuation. A Minor in Finance or Valuation is a valuable complement to an MBA specialization in the various operational areas (Operations Management, Marketing, Health Management, etc.) or in Accounting.

Suggested Areas of Concentration

1. Investment Management

This area of concentration will prepare you for careers in the investment management industry. Our objective is to equip you with an understanding of available securities, investment strategies, investors' objectives, and how the three are related.

For this concentration, we recommend that you consider the following courses:

- F700 - Valuation for Finance Professionals
- F701 - Alternative Investments and Portfolio Management
- F713 - Security Analysis

F714 - Options and Futures: Theory and Applications
F715 - Portfolio Theory and Management
F722 - Market Trading and Risk Management with Options
F723 - Fixed Income Analysis
F725 - Personal Financial Management
F726 - Behavioural Finance
F730 - Pension, Retirement and Estate Planning
F731 - Insurance and Risk Management
F732 - Personal Financial Planning and Advising
F733 - Financial Risk Management
F736 - Ethics and Professional Practice

These courses are designed to provide you with an in-depth understanding of the risk-return characteristics of various securities, how they are valued, how they should be combined into portfolios, and how the risks of the portfolios should be managed. Business F725, F730, F731 and F732 will examine individuals' financial goals and how to achieve those goals. While Business F725 is recommended for all MBA students, these four courses should be of interest to people who want to have a career in personal financial management.

2. Corporate Finance and Investment Banking

This area of concentration will prepare you for careers in investment banking. It will also lead to careers in non-financial corporations. While the two career paths may appear to be quite different from each other, they require the same set of knowledge and skills. For example, a corporate treasurer needs to understand capital structure, dividend policy and capital budgeting in order to decide which investment projects to take and how to finance them. The same understanding is required by investment bankers when they advise clients on financing and merger and acquisition activities.

For this concentration, we recommend that you take the following courses:

F700 - Valuation for Finance Professionals
F711 - Financial Institutions
F712 - Applied Corporate Finance
F717 - Financial Statement Analysis
F721 - Mergers, Acquisitions and Corporate Control
F723 - Fixed Income Analysis
F724 - Venture Capital and Private Equity
F727 - Working Capital Management
F733 - Financial Risk Management
F735 - Financial Modelling
F736 - Ethics and Professional Practice

In addition, you may wish to broaden your understanding of corporate finance by considering Business F714 - Options and Futures: Theory and Applications

3. Business Valuation

The Strategic Business Valuation Specialization and courses are intended for students who wish to become specialists in business valuation. Typically, students choosing this area will go on to qualify for the Chartered Business Valuator (CBV) designation. Most of a CBV's work involves valuations of private firms and other assets not traded in financial markets. Career opportunities include tax and estate planning, shareholder and partner disputes, fairness opinions, changes in the ownership of firms and assets, and litigation and regulatory support.

The courses offered in this area include:

- F712 - Applied Corporate Finance
- F717/V701/A750 - Financial Statement Analysis
- F721 - Mergers, Acquisitions and Corporate Control
- F724/V705 - Venture Capital and Private Equity
- F726/V702 - Behavioural Finance
- F735/V703 - Financial Modelling
- V700 - Strategic Business Analysis and Valuation
- V704 - Advanced Strategic Business Valuation

V700 and V704 are recognized for credit towards the CBV designation by the Canadian Institute of Chartered Business Valuators.

4. Minors, Electives and Personal Interest Courses

If you do not yet have a preference for a particular career path in Finance, you may wish to choose a more general combination of courses, with or without a Minor in Finance. If you decide to include any Finance courses in your program, and this is highly recommended, personal interests and career plans should be paramount. All students will be required to make personal financial decisions in their lives and careers, and may wish to start their own businesses or join small businesses, including family-owned firms. The Finance and Business Economics Area tries to address these interests and possible career paths from a Finance perspective.

Courses of interest for personal financial management or small business management are as follows:

- F720 - Small Business/Entrepreneurial Finance
- F724 - Venture Capital and Private Equity
- F725 - Personal Financial Management
- F727 - Working Capital Management
- F730 - Pension, Retirement and Estate Planning
- F731 - Insurance and Risk Management

F732 - Personal Financial Planning and Advising

Courses with a broad focus and multiple applications include:

- F700 - Valuation for Finance Professionals
- F713 - Security Analysis
- F714 - Options and Futures: Theory and Applications
- F716 - International Financial Management

Less technical courses include:

- F711 - Financial Institutions
- F712 - Applied Corporate Finance
- F720 - Small Business/Entrepreneurial Finance
- F724 - Venture Capital
- F725 - Personal Financial Management
- F730 - Pension, Retirement and Estate Planning
- F731 - Insurance and Risk Management
- F732 - Personal Financial Planning and Advising
- F734 - Real Estate Finance and Investment
- F736 - Ethics and Professional Practice
- F737 - Financial Fraud and Market Surveillance
- F738 - Selected Topics in Finance: Value Investing

Students considering further graduate studies in Finance (MA, MSc, PhD) are encouraged to take

- F710 - Financial Economics and Quantitative Methods
- F713 - Security Analysis
- F714 - Options and Futures: Theory and Applications
- F723 - Fixed Income Analysis

Finally, F700: Valuation for Finance Professionals, F717: Financial Statement Analysis, and F735/V703: Financial Modelling focus on the development of analytical skills for decision-making.

4. Professional Designations and Opportunities

Students considering a career in Finance, whether in corporate finance or in the financial services industry, often seek professional recognition. An “entry level” program for students contemplating a career in the financial services industry is the Canadian Securities Course (CSC), offered by the Canadian Securities Institute (CSI). According to the CSI website, the CSC is “the only Canadian investment course that qualifies graduates to sell mutual funds and also leads to registration to deal in stocks, bonds and

other securities”. Many McMaster students complete the CSC every year even though there is significant overlap with topics covered in Business F713.

The CSI offers a number of other courses, including the Professional Financial Planning course, which, together with the CSC, prepares people for undertaking the Certified Financial Planner (CFP) exams. More information about the offerings of the Canadian Securities Institute can be obtained from its website:

https://www.csi.ca/student/en_ca/courses/financial/csc.xhtml

Information about the Financial Planners Standards Council and the CFP designation can be obtained from the Council’s website:

<http://www.cfp-ca.org/default.asp>

Students considering a career in financial planning are strongly advised to take the following courses:

- F713 - Security Analysis
- F725 - Personal Financial Management
- F730 - Pension, Retirement and Estate Planning
- F731 - Insurance and Risk Management
- F732 - Personal Financial Planning and Advising

These courses are **STRONGLY RECOMMENDED** for students planning to seek the CFP designation.

The premier internationally recognized designation for people seeking a career in corporate finance or financial services is the CFA (Chartered Financial Analyst) designation, awarded by the CFA Institute. Originating in the United States, the CFA designation is now pursued and recognized around the world. It is now the professional qualification of choice for anyone not planning a career in auditing or taxation.

Obtaining the CFA designation is a rigorous process, including both relevant employment and the completion of three exams. There are no specific courses required to undertake the exams, but the CFA Institute provides a detailed syllabus to prepare for them. Information about both can be obtained from the CFA Institute’s website:

<http://www.cfainstitute.org/>

For students wishing to prepare for the CFA exams, course selection is important. Though a variety of review materials and exam preparation courses are offered by numerous providers, we have been advised by CFA Institute representatives that a proper grounding in the syllabus content is the best preparation. Faculty members within the Finance and Business Economics Area at McMaster have reviewed the CFA syllabus carefully and benchmarked their own courses against the syllabus. In some cases, we

have modified our courses to incorporate material in the CFA syllabus. Our judgment is that students intending to pursue the CFA designation can cover up to ninety percent of the syllabus through the appropriate choice of courses. Beyond the required course(s) in Finance, Accounting, Statistics and Economics, we advise students to take as many as possible of the following courses in Year 2. (Eight is the maximum number of MBA electives allowed):

- F700 - Valuation for Finance Professionals
- F701 - Alternative Investments and Portfolio Management *
- F711 - Financial Institutions
- F712 - Applied Corporate Finance
- F713 - Security Analysis*
- F714 - Options and Futures
- F715 - Portfolio Theory and Management
- F716 - International Finance
- F717 - Financial Statement Analysis*
- F721 - Mergers, Acquisitions and Corporate Control
- F723 - Fixed Income Analysis*
- F727 - Working Capital Management
- F733 - Financial Risk Management
- F736 - Ethics and Professional Practice*

*Essential for students pursuing the CFA designation

Finally, as noted earlier, students considering the Chartered Business Valuator (CBV) designation can obtain more information about its requirements from the website of the Canadian Institute of Chartered Business Valuators.

www.cicbv.ca

The CBV program, offered through correspondence by the Institute, comprises four required courses and two elective courses. V700 – Strategic Business Analysis and Valuation and V704 – Advanced Strategic Business Valuation are recognized by the Institute for credit in lieu of two of the Institute’s required courses.