COURSE STRATEGY GUIDE

CFE 201 – Corporate Finance

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This Course Strategy Guide provides an overview of the CFE 201: Corporate Finance course to help the candidate understand the essence of this course and to provide a guide for how to prepare for the examination of this course. While this guide can be a valuable aid in preparation, the material in it will not be assessed.

I. Purpose of this Course

The Corporate Finance and ERM (CFE) practice area was born out of a vision to create a body of study to prepare actuaries to work within the offices of the Chief Risk Officer and Chief Financial Officer in **any** industry. This practice area is designed to focus on a broad spectrum of industries and to demonstrate the unique value of the actuarial tool kit in risk evaluation and corporate finance. The first course (CFE 101) of this practice area focuses on the advanced application of Enterprise Risk Management (ERM). CFE 201, the second course of this practice area, focuses on the essentials of a Master of Business Administration (MBA) Finance program and other risk management/investment programs such as the Chartered Financial Analyst (CFA) program offered by the CFA Institute.

The CFE practice area curriculum is unique amongst actuarial accreditations as its scope of coverage goes beyond the traditional actuarial employers, such as the insurance industry. It intends to expand our education to develop a solid foundation of business acumen, risk management fundamentals, and strategic and critical thinking skills for the candidates to succeed in their careers in **any** industry. Candidates might note that this necessarily means the syllabus will cover some topics that do not directly apply to their current work but may prove useful in the future as they undertake new roles.

II. Recommended Approach in Preparing for Course Exam

Our recommended study approach is to first read the descriptions of the Learning Objectives and Learning Outcomes in the Syllabus; then read the Case Study in conjunction with the syllabus study materials in the order presented for each course topic section. The recommended order is purposeful.

Keep in mind that each exam question is created by starting first with one or a combination of the Learning Objectives and Learning Outcomes. Each question will consider a context (such as one from the Case Study, described below) that entails a business situation or conflict. The insights or lessons learned from the syllabus study materials are there to help the candidate develop and apply a solution that best fits within the context of the exam question. Note that a solution to a given problem presented within the study materials is appropriate for the context

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used within those study materials, but not necessarily appropriate for the context of the exam question (often the context is that of a Case Study company and its business strategies and management practices). Since the exam is focused on the demonstration of critical thinking, the candidate must learn how to take the learning from one situation and apply them to a different situation. In creating such questions, this course seeks to emulate real-world situations which, most of the time, do not have solutions that conveniently appear within any textbook. Candidates are expected to apply the techniques or insights that they learn from the syllabus study materials to new real-world problems. The candidate uses the study material as a tool to gain insights about the Learning Objectives and Learning Outcomes. These insights expressed in a solution to an exam question demonstrate critical thinking.

III. The Case Study

A Case Study has been developed for each course in this practice area. The purpose of having a Case Study as an integral part of the syllabus is to provide a context from which the candidates can internalize the study materials and apply some of the underlying concepts embedded in the study materials within the context of the Case Study's companies.

The Case Study is purposely constructed to include businesses in different financial and non-financial industries. This allows candidates to gain insights on how best practices used to manage and assess business risks and value creation in the finance industry can also be applied in other industries and vice versa.

The Case Study also provides a platform to have multi-dimensional business problems for candidates to demonstrate the application of risk and business toolkits and emerging technologies. For example, the Case Study enables management subjectivity or cultural considerations in addition to the purely technical aspects of business problems.

Also, exam questions using the Case Study may not have all the pertinent intelligence, may have conflicting intelligence, or different managers may be advocating different courses of action. This mirrors reality. But the managers must still make decisions. The Case Study creates a realistic view of what a business manager may face on a day-to-day basis and helps to prepare candidates to develop strategic and critical thinking skills and business acumen in analyzing the different situations presented in the Case Study.

The Case Study consists of a narrative pdf file and an Excel spreadsheet with financial data for several of the companies included in the Case Study. The pdf and the spreadsheet will be available to candidates when they sit for the exam.

IV. Course Syllabus Learning Objectives and Readings

One of the goals of the CFE practice area is to prepare candidates to work and to thrive in industries that might have not traditionally hired actuaries. Therefore, this exam is about applying and expanding the use of the traditional actuarial toolkit to a myriad of business situations and a variety of risks; hence to create greater awareness of its value-creation

capability to any commercial enterprise and to properly evaluate the financial reports of these enterprises. Another goal is to expand proficiency in risk assessment by exposure to emerging technologies, techniques, or practices common to non-traditional actuarial practice areas.

Course CFE 201 focuses on optimizing business and financial decisions based on business objectives. Four topics are chosen for this course:

1. Corporate Finance
2. Financial Statement Analysis
3. Managerial Accounting and Operational Excellence
4. Evolving Quantitative Methods and Technologies

Details of the Learning Objectives, Learning Outcomes and syllabus study materials associated with the Learning Outcomes for each of the four topics can be found in the Syllabus. The candidate should be familiar with the Learning Outcomes as described in the Syllabus. These Learning Outcomes represent the knowledge candidates are expected to be able to perform after completing this course and will guide the assessment committee when developing questions.

These four topics are chosen for the following reasons:

Topic 1: Corporate Finance

In running any organization, it is essential for the organization management to understand its funding sources, capital structure and stakeholder value. Corporate finance focuses on addressing these areas of expertise. It also utilizes tools and analysis to allocate financial resources to strike a balance between risk and profitability and to prioritize funds toward the most profitable projects. Thus, it is essential for the candidates to increase their insights and knowledge covered in these areas. Six chapters of the *Corporate Valuation, Measuring and Managing the Value of Companies* textbook are included as these chapters, in combination, teach the candidates to optimize decisions on funding sources and capital structure and to assess the impact on value creation from business strategies. They align with Learning Outcomes 1a to 1c.

An article on hurdle rate is included as hurdle rates are often derived from the capital structure of the organization and are used in the determination of the value of a business or project. This article aligns with Learning Outcomes 1a and 1b.

Two articles on asset intensive reinsurance and one article on private equity, are also included as these are capital enhancement opportunities that are used by life insurers to deploy and optimize their capital structure. They align with Learning Outcomes 1a and 1c.

One article on a financial analysis of a recent M&A transaction is included to illustrate the potential value creation through acquisition. This article aligns with Learning Outcome 1c.

Topic 2: Financial Statement Analysis

Section 2 expands the candidates' knowledge of financial reporting. It is important in today's world that the candidates be able to measure an organization's financial performance by analyzing the financial statements including accounting practices and quality of the financial reports. Unusual or questionable accounting practices suggest questionable business practices. Accounting policies on taxes and foreign exchange rates can have significant impacts on running an organization. Thus, candidates should be familiar with these practices and their impact. Four chapters of the *International Financial Statement Analysis* textbook are included in the syllabus as these chapters, in combination, focus on financial analysis techniques, financial reporting quality, and impact of taxes and foreign exchange rates on financial statements. They cover Learning Outcomes 2a to 2c.

An article on bank profitability is included as this article provides an analytical framework to measure a bank's performance. This aligns well with Learning Outcome 2a.

In addition, the article on a recent M&A transaction also aligns with Learning Outcome 2a as it demonstrates how financial statement analysis is used to measure financial performance of the transaction.

Note that the focus of this section is financial statement analysis. A basic understanding of the financial statements is assumed. For candidates wanting to refresh their knowledge on Financial Statements, Chapters 1-5 of the *International Financial Statement Analysis* book may be useful.

Topic 3: Managerial Accounting and Operational Excellence

In Topic 3, the objective is to enhance candidates' knowledge of managerial accounting and operational processes for organizations in any industry. Managerial accounting is different from financial statement accounting. The purpose of managerial accounting is to assist the company in making well-informed business decisions. Well-prepared candidates will be able to assess how managerial accounting can impact decision making, management behavior, and performance evaluation in organizations. Candidates will also be able to apply some best practices in business processes that would lead to operational excellence.

Three chapters of the *Accounting for Decision Making and Control* textbook are included in the syllabus. These chapters describe transfer pricing and two ways in which accounting systems are used to evaluate performance of managers and hold them accountable for the operating results from their decisions. These materials cover Learning Outcomes 3a and 3b.

Five articles on business operation improvement are also included as these materials focus on some best practices that organizations use in managing their operations to achieve operational excellence. These materials cover Learning Outcome 3c.

Topic 4: Evolving Quantitative Methods and Technologies

Emerging technologies and evolving quantitative methods can disrupt or enhance business operations and processes, which could lead to significant impacts on business earnings. Thus,

Topic 4 focuses on the appropriate application of emerging technologies and evolving quantitative methods and processes for quantifying and managing business risks and opportunities.

Four chapters of the *Fundamentals of Machine Learning for Predictive Data Analytics* are selected as machine learning is a subfield of artificial intelligence that gives computers the ability to learn without explicitly being programmed. Artificial intelligence is an emerging technology, and its application is still evolving in today's environment. Thus, these materials cover Learning Outcomes 4a and 4b.

Two Society of Actuaries (SOA) research papers on decentralized finance and an SOA research paper on blockchain applications, and a paper on stablecoin insurance pricing are also included in this section. These papers are evolving methods that align with Learning Outcomes 4a and 4b.

Four articles focused on artificial intelligence, and its applications are included. These readings illustrate both the conceptual evolution of AI, from task-specific agents to more autonomous agentic systems, and the practical implications for insurance and asset management firms, where AI is reshaping underwriting, claims, investment processes, and strategic decision-making. They also highlight how leaders are beginning to move beyond experimentation to reimagine operating models and capture enterprise-wide value from AI adoption. These are fast evolving methods that align with Learning Outcomes 4a and 4b.