Learning Objectives

Chapter 1:
1. Identify the three main subject areas of Finance.
2. State the goal of corporate financial management.
3. List three distinct advantages of the corporate form of business organization.
4. Describe the agency conflict.

Chapter 2:
1. Recognize items that belong on an Income Statement.
2. Prepare an Income Statement.
3. Calculate COGS given information about changes in inventory.
4. Calculate net profit margin.
5. Recognize items that belong on a Balance Sheet.
7. Calculate accumulated depreciation, net fixed assets and gross fixed assets.
8. Discuss the purpose and potential shortcomings of the Income Statement and Balance Sheet.
9. Calculate dividends paid, number of shares outstanding, earnings per share, and the P/E ratio using the current Income Statement and two most recent Balance Sheets.

Chapter 3:
1. Construct the statement of cash flows by calculating cash flow from operations, financing and investing.
2. Identify the nature and source of cash flow problems.

Chapter 4:
2. Compute financial ratios listed in Table 4.1.
3. Discuss uses and limitations of the financial ratios in Table 4.1.

Chapter 5:
1. Calculate outside funds needed.
2. Determine increases in short-term debt, long-term debt and common stock.
Chapters 6 & 7:
1. Calculate the value of a cash flow stream at any point in time.
2. Given four of the following five factors, the number of payments, interest rate, size of payments, present value, or future value, perform time value of money calculations to find the fifth.
3. Calculate effective annual rates given any compounding frequency.
4. Determine the remaining balance on an amortized loan after a given number of payments.
5. Define nominal interest rate and real interest rate.
6. Calculate nominal interest rate, real interest rate or inflation rate.

Chapter 8:
1. Define a financial security.
2. Discuss the principles of risk and return.
3. Use the capital asset pricing model to calculate expected returns.

Chapter 9:
1. Value a bond given its coupon rate, par value, yield-to-maturity, time to maturity and payment frequency.
2. Given all but one of the factors of a bond’s value, find the remaining factor.
3. Value a stock using the dividend discount model under assumptions of constant growth and non-constant growth.
4. Given all but one of the factors of a stock’s value, find the remaining factor.

Chapters 10 & 11:
1. Discuss the advantages and disadvantages of each capital budgeting technique.
2. Calculate incremental cash flows for a project.
3. Determine NPV, IRR, profitability index, payback period and discounted payback period for a project.
4. Determine which project from a group of mutually exclusive projects should be undertaken.
5. Compute equivalent annual series for projects with different live.