

**AG215 Summary:**

**Business Finance**

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AG215: Business Finance

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**AG215 Course Summary**

**Company Valuation**

**1 Capital Asset Pricing Model**

**2 Earnings Per Share**

**2.1 Ungeared Company**

**2.2 Geared Company**

**3 Earnings Yield**

**4 Rate on Equity**

**4.1 Ungeared Equity Company**

**4.2 Geared Equity Company**

**4.3 Equity Company**

**5 Rate on Debt**

**6 Value of A Company**

**6.1 Geared Company**

**6.2 Ungeared Company**

**7 Rate on Weighted Average Cost of Capital**

**Working Capital**

**1 Annual Holding Cost**

**2 Annual Order Cost**

**3 Optimal Holding Quantity**

**4 Optimal Holding Period**

**5 Optimal Cash**

**6 Optimal Cash Period**

**7 Optimal Target Cash Balance (All Daily)**

**Capital Budgeting & Leasing**

**1 Steps of a Capital Budget**

* Initial Costs
* Maintenance Costs
* Tax Savings on Maintenance Costs
* Scrap Value
* Tax Savings on Scrap Value

**1.1 Tax Saving**

**1.2 Straight Line Depreciation**

**1.3 Equivalent Annual Cost**

**1.4 Rate of Depreciation**

**2 Leases**

**1.1 Net Advantage to Leasing**

**Raising Equity**

**1 Taking Up Rights**

**Step 1**

**Step 2**

**Step 3**

**Step 4**

**Step 5**

**2 Selling Rights**

**Step 1**

* Find Original Shares Owned:
* Find Price to Sell New:
* Find Proportion Entitled To:
* Find Value of New:
  + Should be (=)

**Step 2**

* Find Day-After Value of Only Current Shares:
* Hence, Answers Should Be (=)
  + *“Value after selling new rights (=) value to buy current amount of shares owned, the day after”*

**3 Sell & Take Up (Tail Swallowing)**

**Step 1 (Cost)**

* Own
* Sell
* Purchase

**Step 2 (Value)**