

Tips for Exam I

1. The basic types of financial management decisions and the role of the financial manager.
2. The financial implications of the different forms of business organization (partnership).
3. The goal of financial management.
4. The coverage of financial planning
5. The conflicts of interest that can arise between managers and owners.
6. The difference between accounting value (or "book" value) and market value.
7. The difference between accounting income and cash flow – depreciation/ interest/ tax/ operating cash flow.
8. How to determine a firm's cash flow from its financial statements – net working capital.
9. How to compute and; more importantly; interpret some common ratios (liquidity/ leverage/ quick ratio/ inventory in days/ turnover/ cash ratio).
10. The determinants of a firm's profitability - Dupont.
11. How to standardize financial statements for comparison purposes.
12. How to apply the percentage of sales method.
13. How to determine the present value of cash to be received at a future date.
14. How to determine the future value of an investment made today.
15. How interest rates are quoted (and misquoted).
16. Bond values and yields and why they fluctuate.
17. Important bond features and types of bonds.
18. The impact of inflation on interest rates.
19. The term structure of interest rates and the determinants of bond yields.
20. Common stock vs. Preferred stock (voting rights)
21. Stock valuation – 3 scenarios (no/usual/unusual growth)
22. DGM – capital gain and dividend yield (e.g., D1)
23. PE ratio