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MPRIM430: Foundations in Finance

Textbook

Title: Financial Management: Theory and Practice
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Competency Objectives

- Explain the relevance of shareholder maximization as the primary corporate goal.
- Distinguish between accounting and cash flows.
- Critically evaluate financial statements.
- Demonstrate a basic understanding of working capital management
- Apply time value of money concepts.

Lesson Objectives

Lesson 1:

1. Recognize the various forms of organization and the advantages and disadvantages of each.
2. Identify the primary objective of the corporation and distinguish between fundamental and intrinsic value of a firm.
3. Identify the various financial markets in our economy and the factors that impact the cost of money.

Lesson 2:

1. Recognize the importance of reading the auditors statement and the footnotes.
2. Construct a Balance Sheet.
3. Prepare an Income Statement
4. Construct a Cash Flow Statement.
5. Define and calculate Net Cash Flow and Free Cash Flow.
6. Identify how the financial statements relate to each other
7. Identify performance evaluations and calculations of invested capital.

Lesson 3:

1. Calculate and interpret financial ratios. Construct a Balance Sheet.
2. Describe the value of trend analysis and common sized balance sheets and income statements.
3. Calculate the DuPont equation and appreciate the potential problems and limitations of ratio analysis.

Lesson 4:

1. Differentiate between Net Working Capital and Operating Working Capital.
2. Calculate the Cash Conversion Cycle.
3. Identify the importance of the Cash Conversion Cycle and its reduction.

Lesson 5:

1. Construct cash flow time lines and calculate present values and future values.
2. Apply time value of money concepts.
3. Construct cash flow time lines for annuities and uneven streams of cash flows, and calculate present values and future values.