

A. ASSIGNMENT RECAP

- Write a **3500-word (12-page) report** analyzing the finances of an assigned company for **senior management** covering topics like bond valuation, share valuation, risk, payout policy, cost of capital, and capital structure.
- Demonstrate **understanding of financial concepts** and ability to research and analyze the assigned company.

Suggested Structure:

- 1. Part A: Company Overview (1 page)**
- 2. Part B: Company financials (1-2 pages)**
 - a. Business Performance Overview (Historical Trends)
 - b. Financial Health and Solvency
 - c. Operational Efficiency and Cost Structure
- 3. Part C: Bond Analysis (1-2 pages)**
 - a. Credit Rating Overview
 - b. Proposed New Bonds Details
 - c. Bond Price Calculation
 - d. Financial Analysis and Credit Rating Impact
- 4. Part D: Share Analysis (1-2 pages)**
 - a. Share Price Analysis
 - b. Dividend Payment
- 5. Part E: Risk Analysis (1 page)**
 - a. Beta Calculation
 - b. Factors Causing Diversification in Systematic Risk
 - c. Common Systematic Risks
- 6. Part F: Payout policy (1-2 pages)**
- 7. Part G: Cost of Capital and Capital Structure (1 – 2 pages)**

B. KEYWORD EXPLANATION

1. Bond Valuation

- The process of determining the fair price of a bond involves calculations of the bond's present value based on its coupon rate, maturity, and market interest rates.

2. Share Valuation

- Estimating the intrinsic value of a company's stock using valuation models like the dividend discount model, which calculates price based on expected future dividend payments.

3. Risk

- The degree of uncertainty and potential for financial loss associated with an investment. Relevant risk measures include systematic/market risk showing sensitivity to overall market movements.

4. Payout policy

- A company's strategy for distributing profits to shareholders, including decisions on dividend payments and share repurchases. Factors like sustainability, signaling, and taxes influence policy.

5. Cost of capital

- The minimum required rate of return needed to justify investment in a project or asset, often calculated as a weighted average cost across debt, equity, and other funding sources.

6. Capital structure

- The mix of long-term debt, equity, and other financing used by a firm, which impacts its risk profile and cost of capital. Optimal capital structure minimizes cost while maintaining financial flexibility.

7. Financial analysis

- Evaluating various aspects of a company's financial statements to assess performance and make projections. Important metrics include ratios, growth rates, credit ratings, and risk measures.

8. Financial reporting

- Presenting information on a company's financial position and operations through standard reports like the income statement, balance sheet, and statement of cash flows.