

# MBAS 821

## Introduction to Finance

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# Welcome to Finance Fundamentals



# Course Related Stuff

The course website is here: <https://queens-mbas821.netlify.app/>. I will post material here often.

1. Course outline
2. Slides
3. Living Case
4. Assignments
5. ...

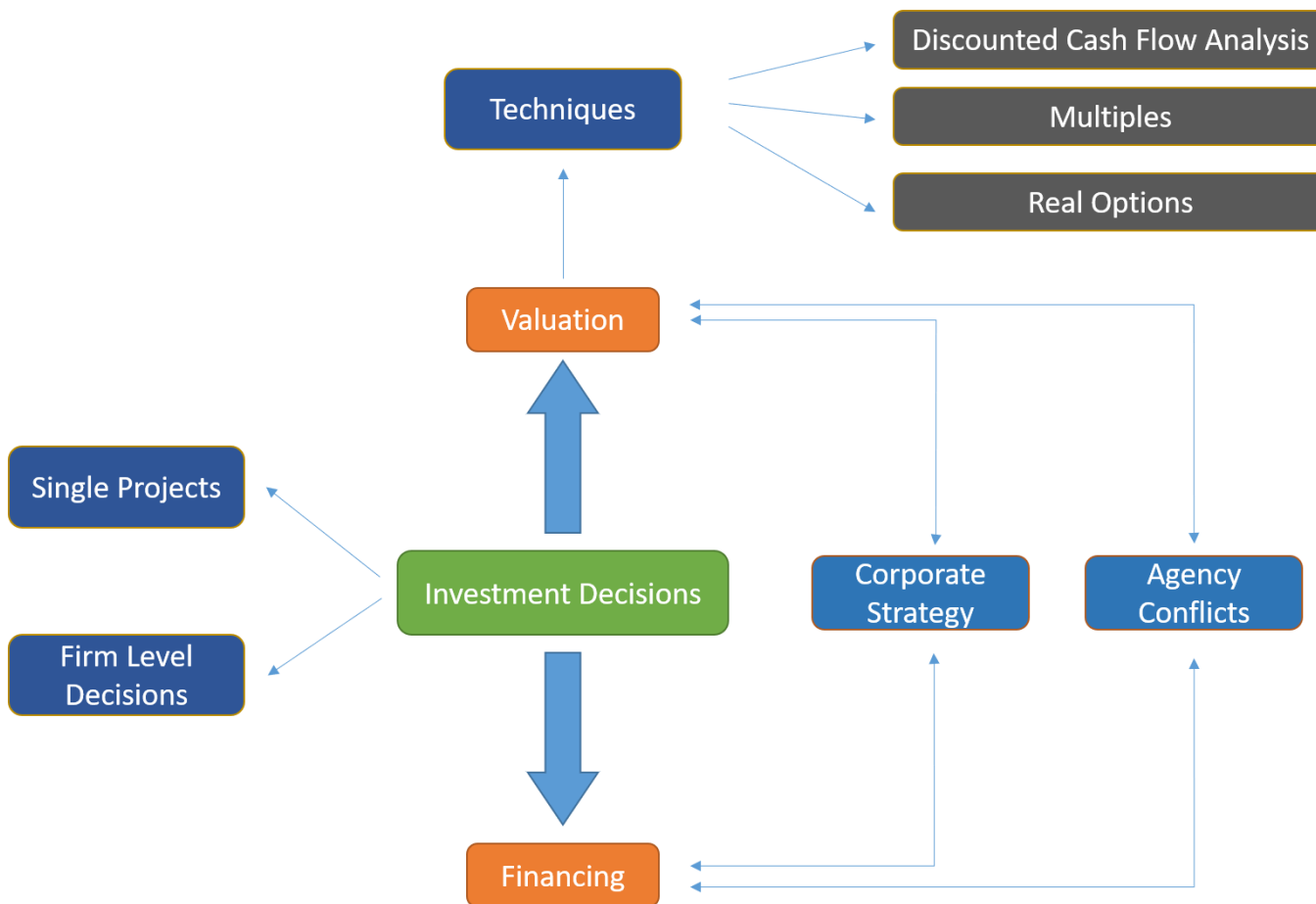
# Grading

- Two individual assignments
  - 5% each, due on August 11th and 21st at 11:59pm
- Three living Case write-ups
  - Group work, 10% each, due on August 12th, 19th, 24th before class starts
- One Living Case presentation
  - Group work, 15%, on the report submission date of your selected case.
- 3-hour open book final exam (40%)
- Class Participation (5%)

# What is Finance?

- Finance is about the allocation of funds from demanders and suppliers
  - Borrowers and lenders
  - Investors and firms
  - Investors and innovators
  - ...
- The financial system's role is to allocate these funds in the most efficient way possible
  - From those that seek/prefer risk to those that eschew risk
  - From this with capital and patience to those without
  - From this without ideas to those with ideas
- Finance is largely about decision making using a quantitative lens, from multiple perspectives.

# The Finance Roadmap



# Decision making in a Finance world

- The most important job of a financial manager is to make a firm's investment decisions.
- These decisions require the evaluation of costs and benefits.
  - Managers must justify to shareholders that these investments are good uses of their money.

Once the investment decision is made,  
the only thing left is...





# Financing Decisions

- How do we pay for it?:
  - Large investments may require the corporation to raise additional cash.
  - Opportunity costs?
  - Do we raise money by issuing shares?
  - Or borrow money by issuing debt?
  - Or do we use retained earnings?
- These decisions determine the capital structure (debt and equity mix of a firm).

# Cash Management (liquidity)

- The firm needs to have enough cash on hand to meet its daily obligations.
- A firm typically burns through a significant amount of cash developing a new product before its sales can generate income.
- The decision here is to prevent firm's operation being hindered due to a lack of cash.

Discussion Q: Can a profitable firm become bankrupt?

# Breakout Activity



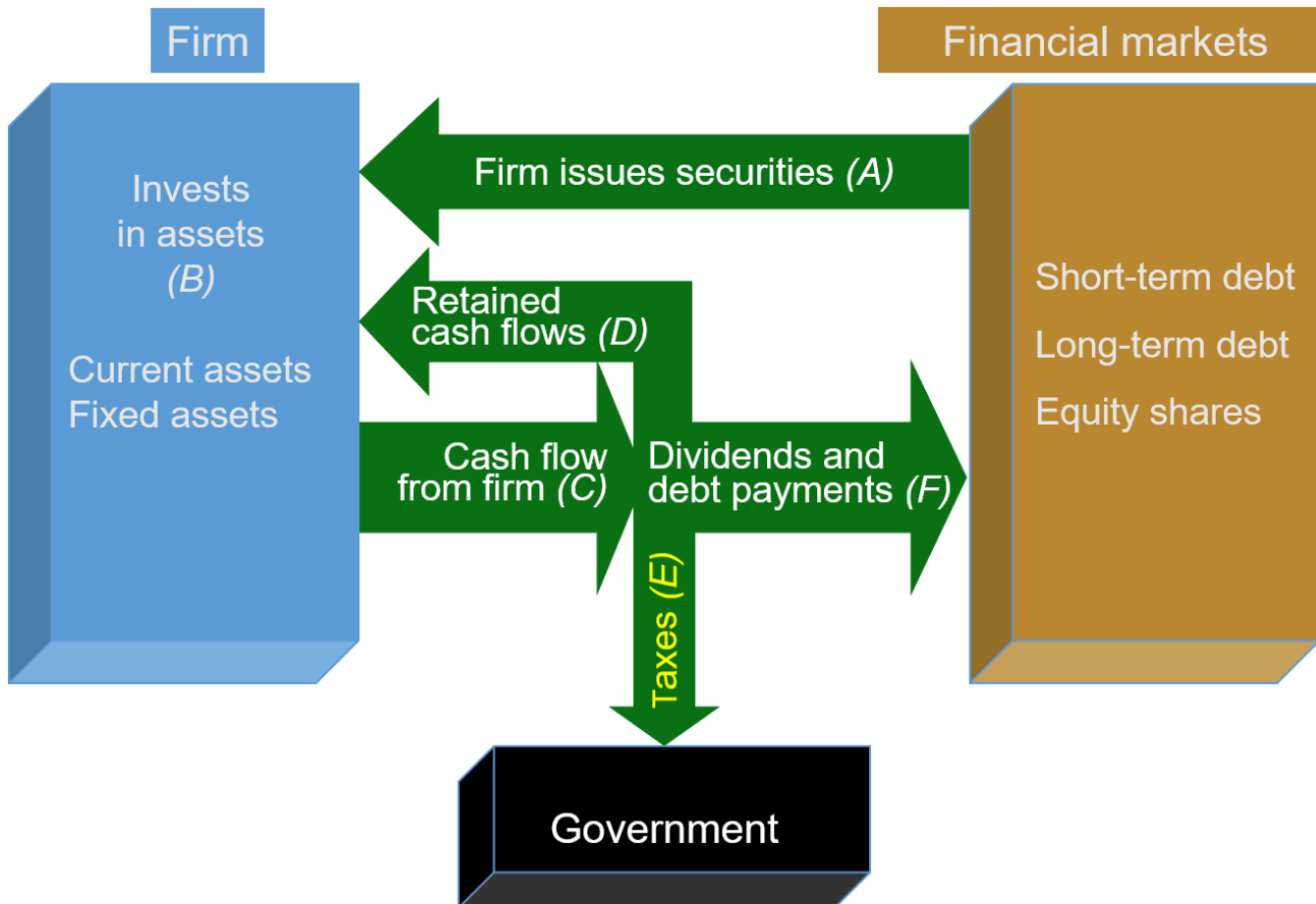
# Breakout Activity

- Take some time to consider the the following questions and return with discussions:
1. If you have a large capital investment where retained earnings or cash on hand cannot cover the cost and you need to raise the money externally, how would you raise this money? Why?
  2. What are the pros and cons of this action? Are there associated risks? For whom?
  3. How would this impact the financial market? For instance, would your stock value move up or down?

# Why study Finance?

- Financial literacy is an important skill that:
  - Distinguishes people on the job market.
  - Develops business acumen.
  - Make informed decisions regarding spending, saving, and investment.
  - Imparts a greater understanding of the global economy.
- Core principles:
  - Time value of money.
  - Risk-return tradeoff.
- A large part of our role in studying finance is attempting to understand how a firm's actions impact the financial market and vice versa.

# Where has the money gone?



# In this course

- We will mainly focus on the tools needed to evaluate investment decisions.
- However, we will discuss pros and cons of these investment decisions from different perspectives.
  - Is the investment profitable?
  - Are there financing challenges?
  - etc.