# Book Notes

## Chapter 1

* What is corporate finance?
  + The study of ways to answer the following 3 questions:
    - What long-term investments should you take on?
    - Where will you get the long-term financing to pay for your investment?
    - How will you manage your everyday financial activities such as collecting from customers and paying suppliers?
* Financial Management Decisions
  + Capital Budgeting
    - The process of planning and managing a firm’s long-term investments.
    - Identify investment opportunities that are worth more to the firm than they cost to acquire.
    - Evaluate the size, timing, and risk of future cash flows is the essence of capital budgeting.
  + Capital Structure
    - In what way does a firm obtain and manage the long-term financing it needs to support its long-term investments?
    - The specific mixture of long-term debt and equity the firm uses to finance its operations.
      * How much should the firm borrow?
      * What are the least expensive sources of funds for the firm?
  + Working Capital
    - Working capital refers to a firm’s short-term assets, such as inventory and it’s ST liabilities
    - How much cash and inventory should we keep on hand? Should we sell on credit? How will we obtain any needed short term financing?

## Chapter 2

* Liquidity
  + Liquidity refers to the speed and ease with which an asset can be converted to cash.
  + Stopped on page 28