

1. Tutorium Investition und Finanzierung: Aufgaben 1-12



Übungsaufgaben Investition & Finanzierung Sommersemester 2011

Introduction to Corporate Finance / Corporate Governance

- 1) What are the three main types of decision a financial manager can make? For each decision, give a relevant example. (1-A2)
- 2) Evaluate the following statement: "Managers should not focus on the current share price, because doing so will lead to an overemphasis on short-term profits at the expense of long-term profits." (1-A3)
- 3) Many companies view a stock market listing as an important objective. Why do you think this is the case? Why do you think Google listed on a stock exchange? (1-A6)
- 4) The 2007 annual report for Anglo American plc, the world's leading global mining company, shows that the firm had \$34.042 billion in non-current assets and \$9.962 billion in current assets. It reported \$11.480 billion in current liabilities and \$ 8.665 billion in non-current liabilities. How much has the equity of Anglo American plc worth? (1-A7)
- 5) Anglo American plc announces that it plans to increase its non-current assets by \$10 billion. If the company wishes to maintain its ratio of total liabilities to equity, how much long-term debt should it use? (1-A8)
- 6) Your company has just purchased a forklift truck, and has two payment options. The first option is to pay 100,000 Swedish kroner every month for 12 months. The second option is to pay 1,200,000 Swedish kroner at end of the year. Which option should you choose? Why? (1-A10)
- 7) You are assessing the viability of two projects. Project A has a 25 per cent chance of losing €1,000,000, a 50 per cent chance of break even, and a 25

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per cent chance of making €1,000,000 profit. Project B has a 25 per cent chance of losing €2,000,000, a 50 per cent chance of breaking even, and a 25 per cent chance of making €2,000,000 profit. Which project should you choose? Why? (1-A11)

8) You have read the first chapter of this textbook and have taken over a company that you now discover is losing € 100,000 a week. At the rate things are going, the company won't have any cash left in six months to pay its creditors. What are your goals as a financial manager? Is this consistent with what you have read in this chapter? Explain. (1-A14)

9) You have the following information for the British mining firm Antofagasta plc. All figures are in \$ millions.

	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004	Dec 31 2003
Total Current Assets	2,911	2,451	1,849	1,302	452
Total Non-Current Assets	2,945	2,634	1,931	1,897	1,954
Total Assets	5,856	5,085	3,780	3,199	2,406
Total Current Liabilities	367	514	389	405	309
Total Non-Current Liabilities	1,424	1,416	1,349	1,328	1,191
Total Liabilities	1,791	1,930	1,738	1,733	1,500
Total Equity	4,065	3,155	2,042	1,466	906
Total Liabilities & Shareholders' Equity	5,856	5,085	3,780	3,199	2,406

Give a brief interpretation of what you think Antofagasta plc did over the period 2003-2007. Do you think it is in a better position now than in 2003? (1-A21)

10) Explain why the corporate governance of a firm sole proprietorship should be different from that for a partnership, which in turn should be different from a limited corporation. (2-A5)

11) What are the differences between a general partnership and a limited partnership? Why do firms choose to be partnerships instead of limited liability corporations? (2-A6)

12) Why would we expect managers of a corporation to pursue the objectives of shareholders? What about bondholders? (2-A19)