Quick Quiz

- What are the three basic questions Financial Managers must answer?

- What are the three major forms of business organization?

- What is the goal of financial management?

- What are agency problems, and why do they exist within a corporation?

- What is the difference between a primary market and a secondary market?

- What major regulations impact public firms?

Quick Quiz

- What is the difference between book value and market value? Which should we use for decision making purposes?
- What is the difference between accounting income and cash flow? Which do we need to use when making decisions?
- What is the difference between average and marginal tax rates? Which should we use when making financial decisions?
- How do we determine a firm's cash flows? What are the equations, and where do we find the information?

Quick Quiz

- What is the purpose of long-range planning?

- What are the major decision areas involved in developing a plan?

- What is the percentage of sales approach?

- What is the internal growth rate?

- What is the sustainable growth rate?

- What are the major determinants of growth?

Quick Quiz

- How is the future value of a single cash flow computed?

- How is the present value of a series of cash flows computed.

- What is the Net Present Value of an investment?

- What is an EAR, and how is it computed?

- What is a perpetuity? An annuity?

Quick Quiz

- Consider an investment that costs $100,000 and has a cash inflow of $25,000 every year for 5 years. The required return is 9%, and payback cutoff is 4 years.
  – What is the payback period?
  – What is the discounted payback period?
  – What is the NPV?
  – What is the IRR?
  – Should we accept the project?
- What method should be the primary decision rule?
- When is the IRR rule unreliable?

Quick Quiz

- How do we determine if cash flows are relevant to the capital budgeting decision?

- What are the different methods for computing operating cash flow, and when are they important?

- How should cash flows and discount rates be matched when inflation is present?

- What is equivalent annual cost, and when should it be used?