

Chapter 1: OVERVIEW OF FINANCIAL MANAGEMENT

- a. Answer the question, "What is Finance?"
- b. State the primary goal of a publicly traded firm and explain how social responsibility and business ethics fit within that goal.
- c. Define an agency relationship, give examples of agency problems, and identify possible solutions

Chapter 8: RISK AND RATES OF RETURN

- a. Define dollar return and rate of return
- b. Define and differentiate between actual and expected return
- c. Define and differentiate between expected and required return
- d. Define risk and calculate the expected rate of return, standard deviation, and coefficient of variation for a probability distribution.
- e. Specify how risk aversion influences market equilibrium and required rates of return
- f. Define diversifiable risk and market risk; explain which of these is relevant to a well-diversified investor
- g. Explain the significance of a stock's beta coefficient
- h. List and explain how changes in the market or within a firm that would cause the required rate of return on the firm's stock to change

Chapter 2: TIME VALUE OF MONEY

- a. Convert TVM problems from words to time lines
- b. Explain the relationship between compounding and discounting, between future and present value
- c. Solve for FV, PV, time, or interest rate given the other variables
- d. Find the FV and PV of annuities
- e. Explain the difference between a regular and annuity due
- f. Distinguish and between nominal rate, periodic rate, and effective rate and properly choose between securities with different compounding periods.

Chapter 7: BONDS AND THEIR VALUATION

- a. Identify the key characteristics common to all bonds
- b. Calculate the value of a bond with semiannual interest payments
- c. Explain the relationship between interest rates and bond prices
- d. Calculate the current yield, yield to maturity, and yield to call on a bond
- e. Differentiate between interest rate risk, reinvestment rate risk, and default risk
- f. List major types of corporate bonds and distinguish among them
- g. Explain the importance of bond ratings and list some of the criteria used to rate bonds

Chapter 9: STOCKS AND THEIR VALUATION

- a. Identify the key characteristics of common stock
- b. Calculate the value of a share of common stock when:
  - 1. dividends are expected to grow at some constant rate
  - 2. dividends are expected to grow at some non-constant growth rate
- c. calculate the expected rate of return on a constant growth stock
- d. Explain the following terms: Equilibrium, Efficient Markets Hypothesis
- e. Distinguish among the three levels of market efficiency
- f. Explain the implications of the EMH on financial decisions

Chapter 10: THE COST OF CAPITAL

- a. Explain what is meant by a firm's required rate of return and weighted average cost of capital
- b. Calculate the weighted average cost of capital
- c. Explain why retained earnings are not a free source of financing
- d. Explain why the cost new common equity is higher than the cost of retained earnings
- e. Explain how and why the weighted average cost of capital might change over time

Chapter 11: THE BASICS OF CAPITAL BUDGETING

- a. Define capital budgeting and the capital budgeting process
- b. Explain why capital budgeting is important, and state how project proposals are generally classified
- c. Calculate payback period, discounted payback period, net present value, and internal rate of return for a given project and evaluate each method
- d. Define net present value profiles,
- e. Explain the rationale behind the NPV and IRR methods, their reinvestment rate assumptions, and which method is better when evaluating independent versus mutually exclusive projects
- f. Calculate the Modified Internal Rate of Return for a project

Chapter 2: FINANCIAL STATEMENTS, CASH FLOW AND TAXES

- a. Explain the difference between Net Income and Net Cash Flow
- b. Explain the following terms and know how to calculate these terms:
  - 1. net operating working capital
  - 2. operating assets
  - 3. operating capital
  - 4. net operating profit after taxes
  - 5. Earnings Before Interest and Taxes, EBIT
  - 6. Economic Value Added, EVA
  - 7. Market Value Added, MVA

Chapter 3: ANALYSIS OF FINANCIAL STATEMENTS

- a. Explain why ratio analysis is usually the first step in the analysis of a company's financial statements
- b. Describe how the Du Pont equation is used, and how it may be modified to include the effect of financial leverage
- c. Use Du Pont equation to do an analysis of financial statements
- d. Use the Du Pont equation to explain how managerial decisions impact financial ratios

Chapter 15: WORKING CAPITAL MANAGEMENT

- a. Explain the risk/return trade-off of working capital management
- b. Distinguish among relaxed, restricted, and moderate current asset investment policies, and explain the effect of each on risk/return trade-off
- c. Calculate the cash conversion cycle
- d. Explain the relationship between the cash conversion cycle and working capital management
- e. Explain how a negative cash conversion cycle works

# COBA STUDENT CODE OF CONDUCT

We, the students of the College of Business Administration, as we continue our efforts to be a more supportive and effective college, offer ethical guidelines to support our successes. As students, encourage each student to

## R.E.A.C.H.

### **R**RAISE THE BAR

Attain high levels of excellence in all activities  
Stretch the limits of your learning experience  
"Take the road less traveled"

### **E**NGAGEMENT

***Be an active scholar***

***Be an active participant in all endeavors (e.g., in the class room, in clubs, groups, etc.)***

Contribute by doing service and taking on leadership roles when needed

### **A**TTITUDE

Support the mission and vision of the College and the University  
Be constructive (e.g., identify a problem and provide a possible solution)  
Take initiative and responsibility for your education  
Understand that learning is a life-long endeavor  
Be courteous

### **C**COURTESY

Help others when needed

**Be respectful of the rights and opinions of others**

Be prompt; Arrive at class and meetings on time; Respond to requests within a reasonable amount of time

Be prepared for class and meetings  
Respect the property of others  
Seek help with problems

### **H**HONESTY

Be honest  
Work to strengthen ethical conduct  
Conduct oneself with the highest degree of ethical behavior

Each student is a member of the College and University Communities. Our actions must reflect the ideals and values of these communities.