Review Topics for the Final Exam- Fall 2011

Differences between the income statement and the balance sheet as a financial tool for analyzing firms

Differences between the various types of business organizations – Proprietorship, Partnership, Corporation in terms of liability risks, ability to raise capital

Implications for a Federal Reserve open market transaction on bond prices and interest rates - short term expansion or contraction of the money supply

Differences between a primary vs. secondary market transaction

Computation of a future sales projection using the time value of money concept –

e.g.If sales are $30,000 today, what will projected sales be 6 years from now if they are expected to grow at 7% a year?

Calculation of EPS growth rate based on historical earnings per share for a company over the last several years

e.g. You want to find the EPS growth rate for Celdine Corporation. The company had EPS of $1 in 2005 and generated a EPS of $2.50 in 2011 some six years later. On the basis of these two figures what would be Celdine's estimated EPS growth rate?

Finding either the EBT or EBIT based on a firm's revenues, operating costs, depreciation, tax rate and interest expenses.

Balance Sheet items that are used to determine the Current Ratio, Quick Ratio, Debt Ratio

Updating the allocation of funding to debt and equity based on revisions to a firm's debt ratio - understanding the three sources of financing for the firm - retained earnings, debt and new common stock.

Calculation of the yield to maturity on a bond --- for both annual and semi-annual bonds

Determination of the price of a bond, based on the coupon rate, yield to maturity, and years to maturity

Determination of a portfolio's beta based on the betas of the stocks within it and their weighting to the overall value of the portfolio

Determination of the required rate of return on a stock, as well as the market risk premium if givien the beta, risk-free rate and expected return on the stock.

Calculation of the current price [or intrinsic value] of a stock based on dividend growth rate, current dividend, and required rate of return

Calculation of the weighted average cost of capital given the various component costs and the percentage weighting of the various sources of financing to the firm.

Calculation of the cost of new equity as a component cost for the firm based on current dividends, the dividend growth rate the current price of the stock and the investment bank's flotation percentage for doing an offering.

Calculation of the component cost of debt when given current market information on the firm's bonds outstanding.

Calculation of the payback period, IRR, and NPV on a set of uneven project cash flows given a firm's WACC.