

Topical List of Corporate Finance Concepts for Exam 2B

Component costs of capital as market-determined variables, as investor perceptions of risk

Three sources of financing for the firm

Costs associated with each component cost of capital

Relationship between the cost of debt versus cost of retained earnings versus weighted average cost of capital versus cost of new equity

Calculation of the intrinsic value of a stock

The various methods for determining the cost of retained earnings [required cost of capital]

Calculation of the weighted average cost of capital

Calculation of the cost of common stock

Differences in the various capital budgeting methods – Payback, Internal Rate of Return, Net Present Value, Modified Internal Rate of Return

NPV assumption of the WACC on reinvested funds versus IRR's assumption that funds are reinvested at the IRR

Which method to use when there is a conflict in ranking capital budgeting methods

Calculation of NPV

Calculation of MIRR

Calculation of IRR

Uneven cash flows, calculation of Payback, IRR and NPV