Fundamentals of Corporate Finance– Summary

Overview of Corporate Finance

Chapter 1: Introduction to Corporate Finance

<u>1.1Corporate Finance and the financial Manager</u>

Corporate Finance: the study of ways to answer these three questions:

(1) What long-term investments?

(2) Where will you get the long-term financing to pay for your investment?

(3) How will you manage your everyday financial activities such as collecting from customers + paying suppliers?

Financial Manager: the corporation employs managers to represent the owners' interests and make decisions on their behalf. In a large corporation, the financial manager would be in charge of answering the three questions above

(1) Capital Budgeting: process of planning + managing a firm's long-term investments.in CB the financial manager tries to identify investment opportunities, financial managers: Evaluating the size, timing, and risk of future cash flows

(2) Capital Structure: The mixture of debt and equity maintained by a firm, ways in which the firm obtains and manages the long-term financing it needs to support its long-term investments, FM decides for financing mix

(3) Working capital/dividend decision: A firm's short-term assets and liabilities, ensures that the firm has sufficient resources to continue its operations and avoid costly interruptions, involves decision of whether to pay dividends to shareholders