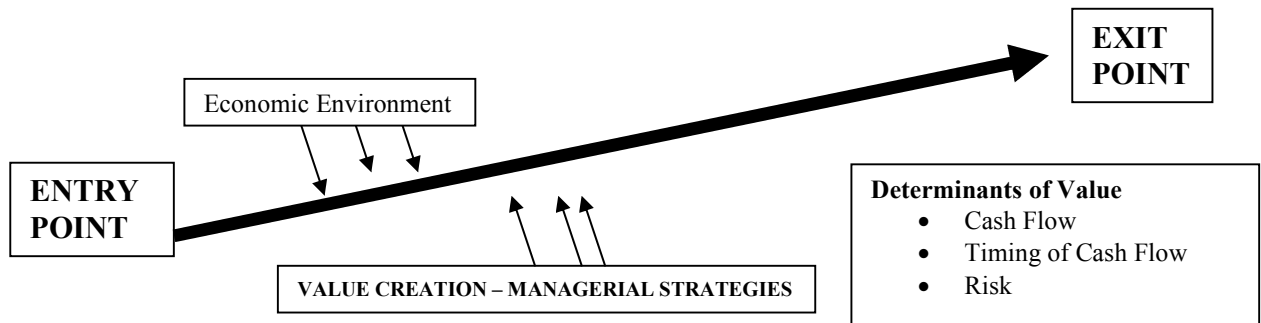


Lecture #1

INTRODUCTION (Chapter 1 – CMF)

Financial Manager's Primary Responsibility: Maximizing Shareholder Wealth



ECONOMIC ENVIRONMENT

- Level of economic activity
- Tax Rates & Regulations
- Competition

Entry Point

- Startup – Build
 - Economic Studies
 - Acquiring Initial Funds (Equity/Debt)
 - The Right Price / Cost as compared to Future Cash Flows
 - Form of Organization:
 - Sole Proprietorship (inexpensive vs personal liability)
 - Partnership (GP and LP)
 - Corporation (Lim Liab. – Flexibility to IPO and raise Capital)
 - Going Private/Public (shares outs)
 - Set-Up Management – Resources – Organization of Financial Management
- Acquisition / Merger of Existing
 - Acquiring Initial Funds (Equity/Debt)
 - The Right Price / Cost as compared to Future Cash Flows
 - New Management or Existing?
 - Going Private/Public

Value Creation - Managerial Strategies:

- Operating Strategies

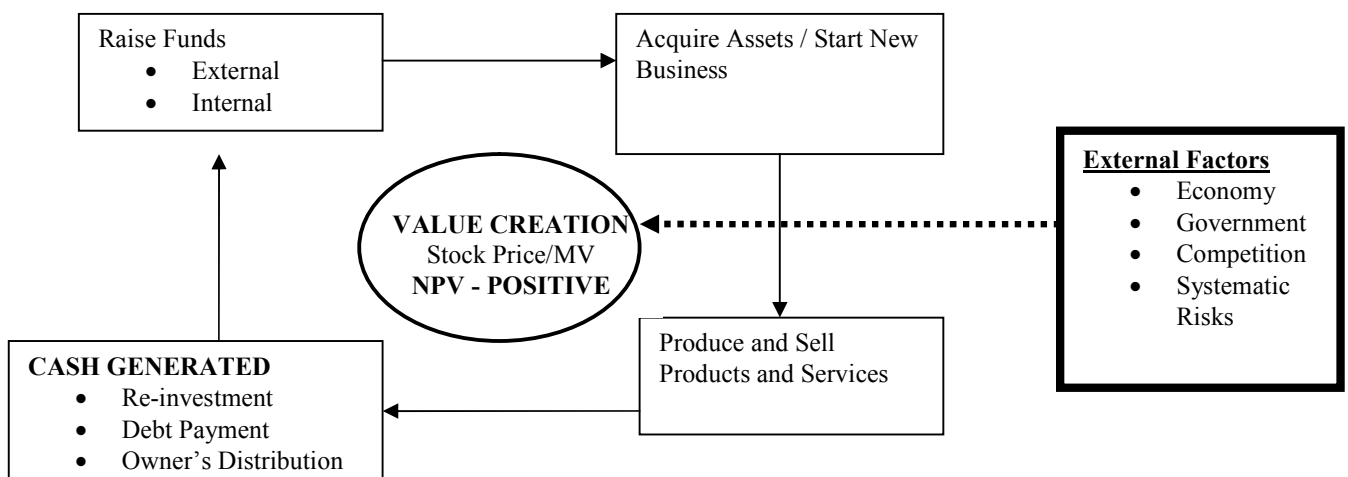
- Grow internally – manage Revenue, Expenses & **Cash Flow** – ADR Vs OR (Balance of 2) – Av. Check Vs TO
- Manage Systematic Risk / Credit Risk / Market Risk / Operational Risk
- Transactional Strategies
 - Grow through acquisitions
 - Franchising
 - Management Contracts.
- Financial Strategies
 - Refinancing / Optimum Structure
 - Foreign Exchange Strategies – Hedge against FX moves – International
 - Lease or Buy (Equipment, Buildings, Trucks)
- Social Responsibility / Ethical – Corporate Governance
 - Shareholders
 - Employees
 - Community
 - Bankers/Creditors
 - Environmental

Exit Point

- Valuations (Market Value prices / Methodology) – Terminal Value

CASH FLOW GENERATION PROCESS (p 17 CFM)

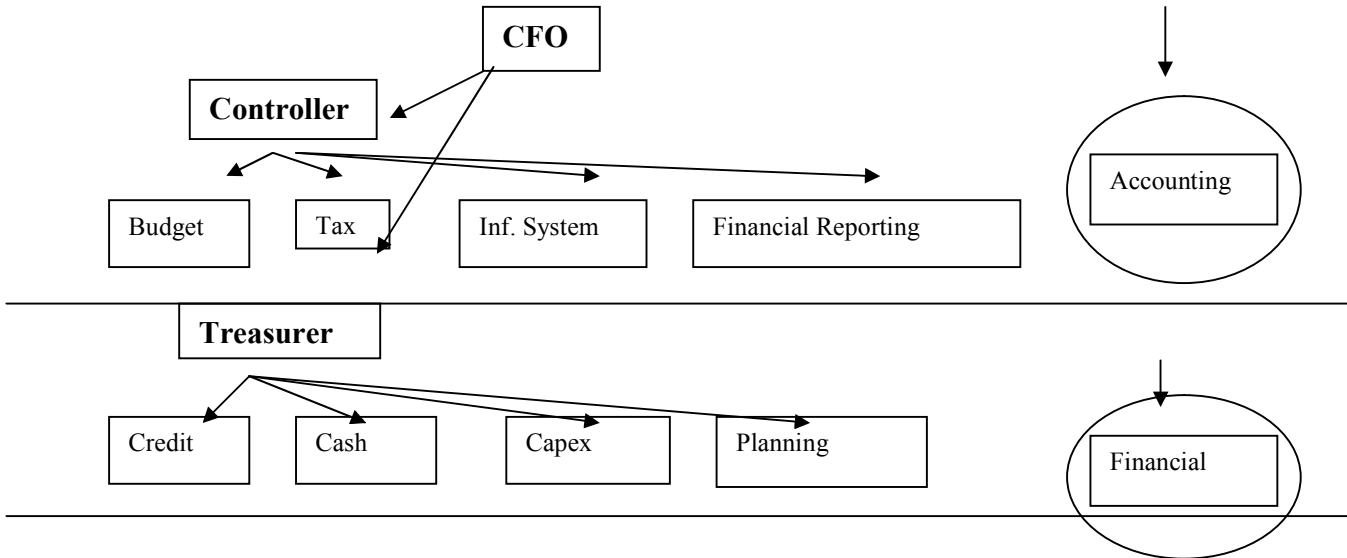
Cash Flow is one of the central elements of financial analysis, planning, and resource allocation decisions. The Financial Health of the firm depended on its ability to generate sufficient amounts of cash to pay its creditors, employees, suppliers, and owners. Later we will distinguish between Cash Flow and Net Income.



Setting – Up Management

- **Management – Present Chart – Board of Directors**
CEO / CFO / COO / Marketing & Sales / Head of Personnel

Finance Staff



Homework:

Assigned Names for each student – check the stock:

Stock Price
Stock Outstanding
Debt Outstanding
Cash on Balance Sheet

PE Multiple
Beta