

# Contents

<b>Chapter 1. – Introduction to Corporate Finance Analysis (Emil Ślązak)</b> . . . . .	<b>7</b>
1.1. Financial Management Decisions . . . . .	7
1.1.1. Investment decisions . . . . .	8
1.1.2. Financial decisions . . . . .	9
1.1.3. Working Capital Management . . . . .	10
1.2. Financial management objective . . . . .	10
1.3. Financial markets and the company . . . . .	12
1.4. The organization of businesses . . . . .	13
1.4.1. Sole Proprietorship . . . . .	13
1.4.2. Partnership . . . . .	14
1.4.3. Corporation . . . . .	15
1.4.4. Limited liability company (LLC) . . . . .	16
1.5. Corporate governance and agency problem. . . . .	16
<b>Chapter 2. – Overview of Financial Statements (Emil Ślązak)</b> . . . . .	<b>19</b>
2.1. The balance sheet . . . . .	19
2.1.1. Assets . . . . .	20
2.1.2. Liabilities and shareholders' equity . . . . .	20
2.1.3. The balance sheet items . . . . .	22
2.1.4. Net Working Capital . . . . .	24
2.1.5. Income statements . . . . .	25
2.1.6. The income statement items . . . . .	26
2.2. Statement of cash flow. . . . .	28
2.3. Statement of stockholders' equity . . . . .	31
<b>Chapter 3. – Analysis of financial statements (Emil Ślązak).</b> . . . . .	<b>35</b>
3.1. Ratio analysis . . . . .	35
3.1.1. Liquidity ratios . . . . .	35
3.1.2. Debt management ratios . . . . .	37
3.1.3. Asset management, or turnover ratios . . . . .	39
3.1.4. Profitability Measures . . . . .	41

3.1.5. Market Value Measures. . . . .	43
3.2. The Du Pont identity . . . . .	44
<b>Chapter 4. – Working capital management(Emil ŚlĄzak) . . . . .</b>	<b>47</b>
4.1. Working capital concept . . . . .	47
4.2. Operating and Cash Cycles . . . . .	48
4.3. Current assets financing polices . . . . .	51
4.4. Cash budget . . . . .	53
4.5. Short-term financial plan . . . . .	56
<b>Chapter 5. – Time value of money – discounted cash flow valuation (Marcin Gospodarowicz) . . . . .</b>	<b>61</b>
5.1 The concept of future and present value . . . . .	61
5.2 Types of cash flow streams . . . . .	62
5.3 Compounding periods. . . . .	65
5.4 Loan amortization schedules . . . . .	67
<b>Chapter 6. – Net Present Value and other investment rules (Marcin Gospodarowicz) . . . . .</b>	<b>71</b>
6.1 Accounting based rate of return measures. . . . .	71
6.2 The payback and discounted payback period method . . . . .	72
6.3 The Net Present Value rule . . . . .	72
6.4 The Internal Rate of Return approach . . . . .	73
6.5 The Profitability index . . . . .	75
6.6 Numerical example of different methods . . . . .	75
<b>Chapter 7. – Making Capital Investment Decisions – Capital Budgeting (Marcin Gospodarowicz) . . . . .</b>	<b>79</b>
7.1 Incremental Cash Flows . . . . .	79
7.1.1 Depreciation . . . . .	81
7.1.2 Cost of fixed assets purchase . . . . .	81
7.1.3 Changes in net working capital . . . . .	81
7.1.4 Terminal value of an investment . . . . .	82
7.1.5 Sunk costs . . . . .	82
7.1.6 Opportunity costs. . . . .	83
7.1.7 Side effects . . . . .	83
7.2 Examples of capital budgeting projects. . . . .	83

---

<b>Chapter 8. – Capital Budgeting, Risk analysis and Real Options (Marcin Gospodarowicz) . . . . .</b>	<b>87</b>
8.1 Choosing the Right Discount Rate . . . . .	87
8.2 Break Even analysis. . . . .	89
8.3 Degree of operating and financial leverage . . . . .	89
8.4 Real options . . . . .	92