

FIN 499 : TVM, Financial Statements, Capital Structure & Div. Policy(Review Sheet)

TVM: Review the problem set given in the class

Fin Statements: (formulas will be provided)

- a. Ratio manipulation: Review the problem set given in the class
- b. Concept questions: Interpretation of ratios: what do they measure? What do they mean? For example, Inventory turn-over ratio is 5. What does it mean? What does it measure?(ch 12, Van Horne)

Capital structure(ch 9, Van Horne): only concepts. What is optimal capital structure? Impact of changes in leverage on Value of the firm without taxes and with taxes(MM without and with taxes). Impact on value with taxes and bankruptcy costs.

Div. policy (ch 11, Van Horne): only concepts. Review the material on ch 11 from p. 310-316. Specifically,

1. Div payout irrelevance:
 - Residual div policy
 - MM position (ignore the proof)
2. Arguments for Div payout mattering(p313-316)