Silberman College of Business Course: Fin 5012 Principles of Finance

Proficiency Test Study Guide **Book: Closed**

Proficiency Test for Finance 5012 Recommended Text: **Brigham, E. and Ehrhardt, Financial Management Theory and Practice, South-Western, Cengage Publishing, (most recent version)**

The exam contains 50 multiple choice questions. Each question is worth 2 points. A score of 70 is considered passing. No computers or electronic devices are allowed. No notes are allowed. No Apps are permissible. However, students are allowed to use a financial calculator. No partial credit is given.

The major topics of this exam include:

1. The organization and role of finance in the firm
2. Shareholder firm ownership and double taxation
3. The two agency problems common in the publicly traded firms
4. The goal of the firm
5. The importance of capital markets in corporate decision making.
6. Introduction to the theory of capital market efficiency
7. Time value of Money (including compounding, discounting, effective interest rates, annuities and annuity due)
8. Financial Statements, Cash Flows, and Financial Statement Analysis
9. Stock valuation techniques
10. Bond Valuation, yield curves and term structure theory
11. An introduction to option terminology and the relationship to agency problems
12. Capital Budgeting basics
13. Multinational financial management
14. IPOs and investment banking introduction
15. Working capital basics

In general, this course covers rudimentary financial language, and the calculations useful for the subsequent required MBA course, Fin 6012. The following chapters are from a recent edition of the text and a recent course. However, newer (or older) text editions may re-arrange the chapter sequencing, so the topics above should be considered as the important ones and students are encouraged to match that topical coverage with the specific pages or chapters in the edition they are using.

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| **Principles of finance (Fin 5012)** | | |
| Wk | Ch. | Topics |
|  | 1 | Overview of fin mgt and fin environ. |
|  | 2 | Time value of money |
|  | 2 | Time value of money (cont.) |
|  | 3 | Fin. Statements, CFs and taxes |
|  | 4 | Analysis of financial statements |
|  |  | **Quiz 1** |
|  | 5 | Bond, bond valuation, + interest rates |
|  | 8 | Stock, stock valuation, + mkt equilibrium |
|  | 11 | Basics of capital budgeting |
|  |  | Quiz 2 |
|  | 19 | IPO, investment banking, financial Restructuring. |
|  | 27 | Providing and obtaining credit |
|  | 22 | Working capital management |
|  | 26 | Multinational financial management |
|  |  | **Final** |