

FINANCE FOR NON-FINANCIAL MANAGERS

a course you can't afford to miss

Program Outline Day 1 **November 6, 2009**

1. Preliminaries
 - a. Accounting Principles
 - b. Elements of Financial Reporting
 - c. Accounting Cycle – Basic
2. Accounting System
 - a. Transaction Analysis
 - b. Journal Entries
3. Financial Statements – What do they mean?
 - a. Income Statement
 - b. Balance Sheet
 - c. Changes in Equity
 - d. Class Practice with Balance Sheets and Income Statements
4. Statement of Cash Flow – The Indirect Method
5. Life Cycle of a Company
6. Financing Choices

Program Schedule Day 2 **November 13, 2009**

1. Valuing a Project: From Start to Finish
 - a. Time value of money
 - b. The DCF (Discounted Cash Flows) approach to valuation
 - c. Modeling and forecasting cash flows
 - d. Practical considerations: Do I rent or buy?

2. Capital Budgeting and Project Choice: What Project to Undertake?
 - a. NPV rule and IRR rule
 - b. Payback period, hurdle rate, and other widely used rules.
 - c. What rule to choose in making capital budgeting decisions?
 - d. How do senior managers make capital budgeting decisions in practice? Evidence from the field: Graham and Harvey (2000) article
 - e. Advanced topics: dynamic capital budgeting, irreversibility of real investments, and options

3. How to Finance a Project?
 - a. Equity financing
 - b. Debt, the benefit of leverage, debt overhang
 - c. Other sources of financing: private equity and venture capital
 - d. The Modigliani-Miller Proposition
 - e. Taxes
 - f. Short and long-term financing decisions

4. Valuation in the presence of debt: Weighted average cost of capital (WACC)

5. Thinking and quantifying financial risk
 - a. Risk and Return Tradeoff
 - b. Types of risk: Idiosyncratic and systematic risk
 - c. Measuring risk

6. What can we do to mitigate risk exposure
 - a. Diversification and risk
 - b. What risk can be diversified? Fallacies of diversification.
 - c. The Capital Asset Pricing Model--CAPM
 - d. Hedging vs. diversification
 - e. What risk factors can/should be hedged?

7. Optimal portfolio allocation: Investing for retirement
 - a. The Markowitz approach
 - b. Alternative approaches
 - c. Behavioral biases
 - d. Shortcuts and tips