

*Principles of  
Corporate  
Finance*

Seventh Edition

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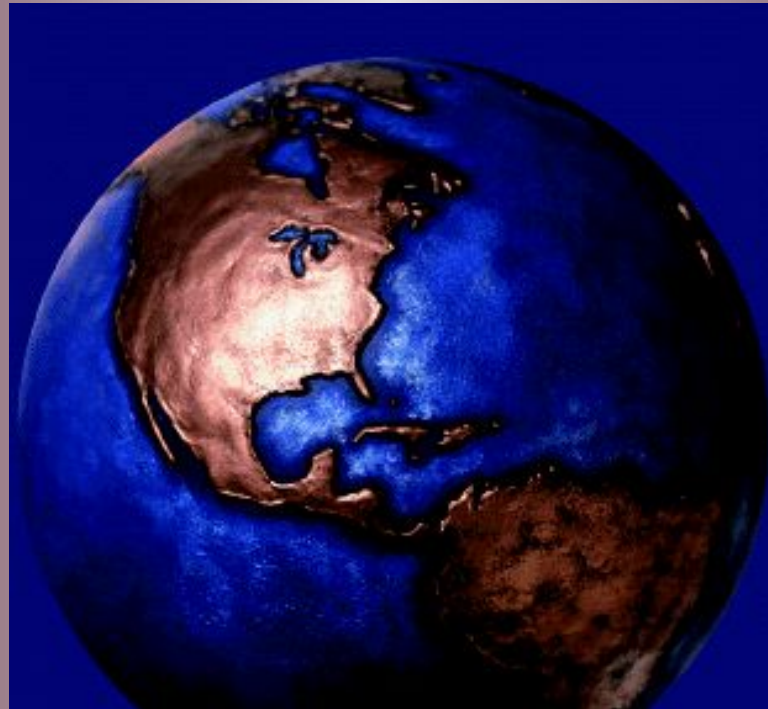
**Slides by**

**Matthew Will**

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# Chapter 1

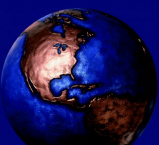
## Finance and the Financial Manager



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# Topics Covered

- ◆ What Is A Corporation?
- ◆ The Role of The Financial Manager
- ◆ Who Is The Financial Manager?
- ◆ Separation of Ownership and Management
- ◆ Financial Markets



# Corporate Structure

Sole Proprietorships



Partnerships

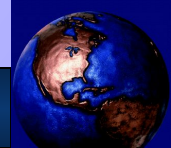


Corporations

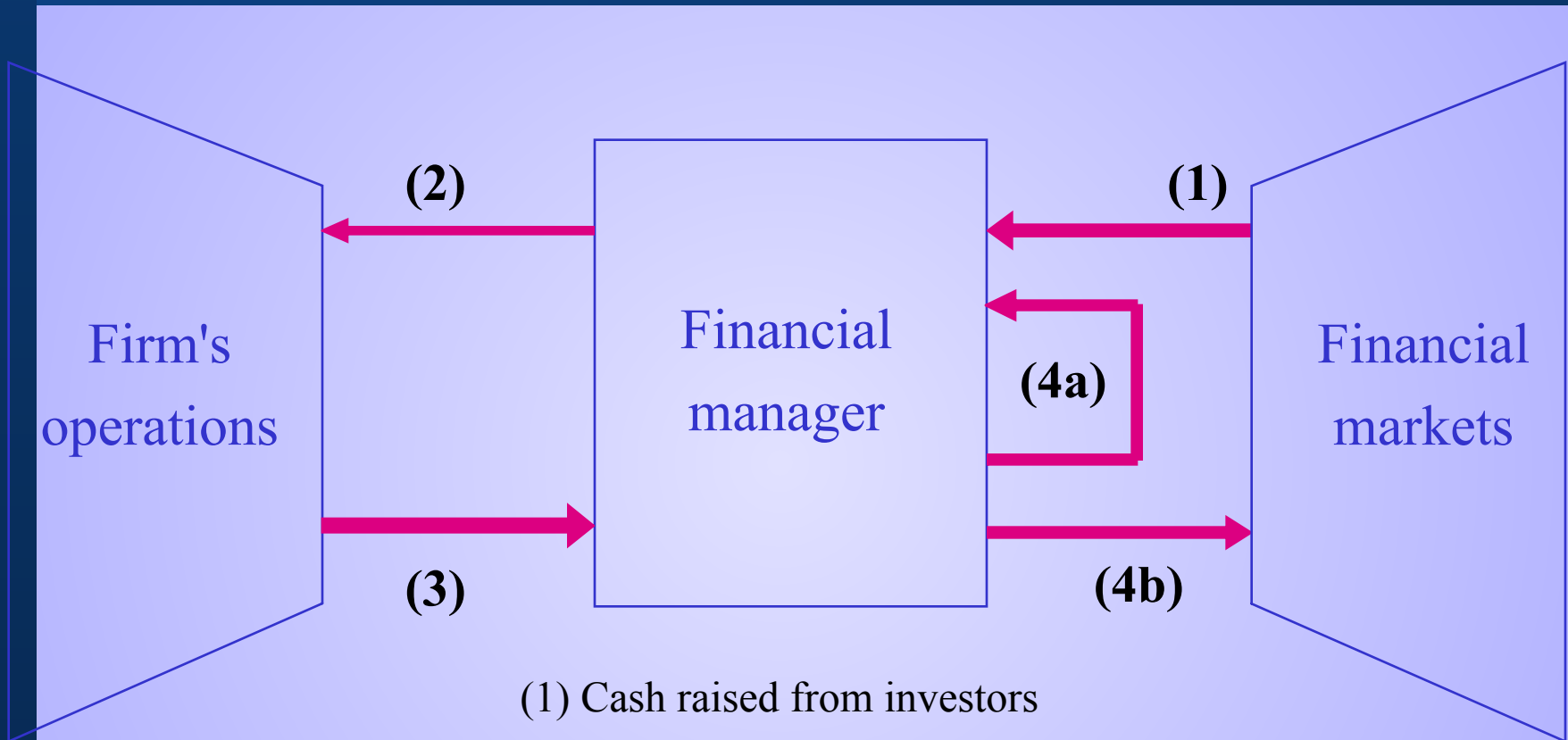


Unlimited Liability  
Personal tax on profits

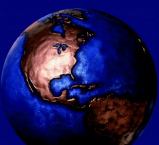
Limited Liability  
Corporate tax on profits +  
Personal tax on dividends



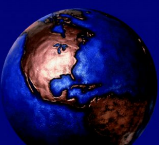
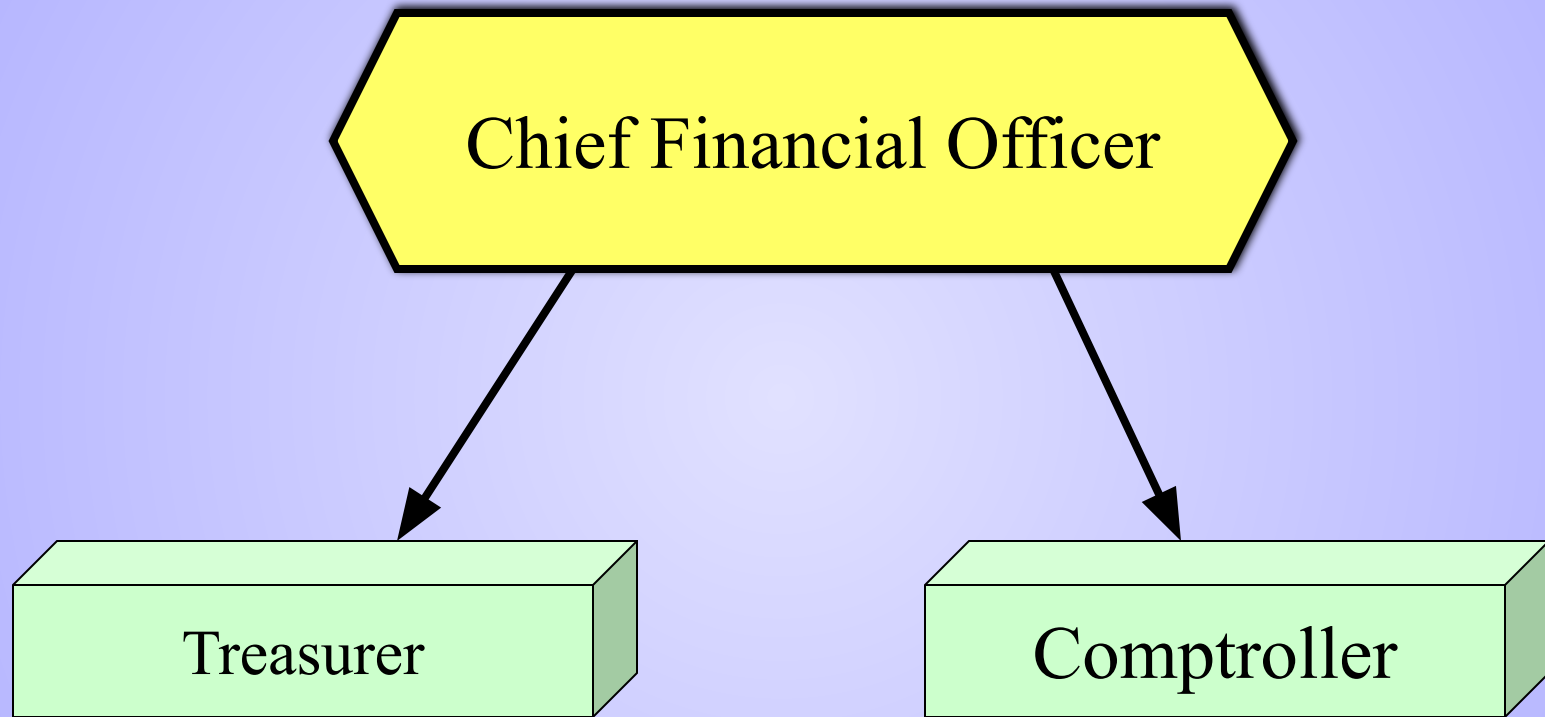
# Role of The Financial Manager



- (1) Cash raised from investors
- (2) Cash invested in firm
- (3) Cash generated by operations
- (4a) Cash reinvested
- (4b) Cash returned to investors



# Who is The Financial Manager?



# Ownership vs. Management

## Difference in Information

- ◆ Stock prices and returns
- ◆ Issues of shares and other securities
- ◆ Dividends
- ◆ Financing

## Different Objectives

- ◆ Managers vs. stockholders
- ◆ Top mgmt vs. operating mgmt
- ◆ Stockholders vs. banks and lenders

