

Principles of Corporate Finance

Seventh Edition

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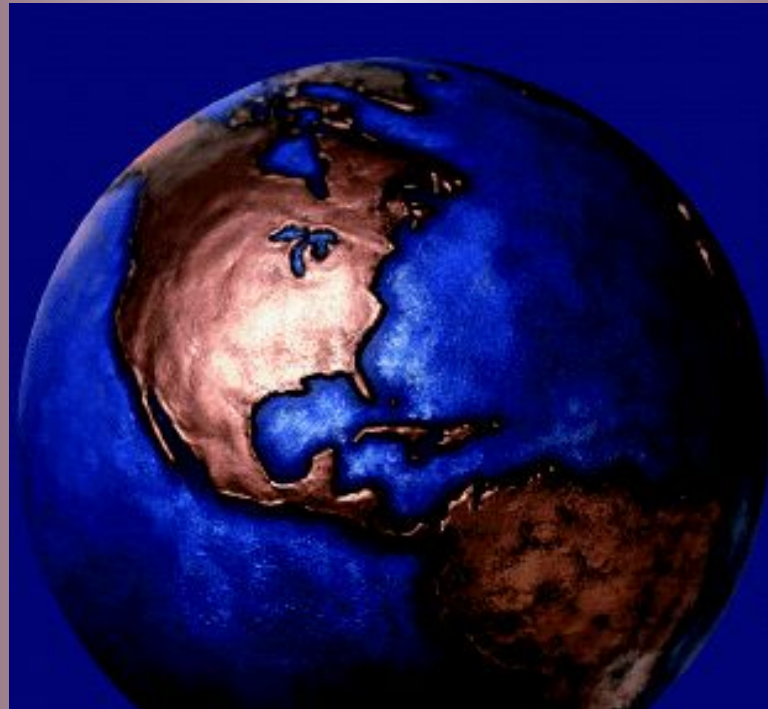
Slides by

Matthew Will

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Chapter 1

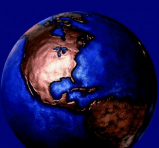
Finance and the Financial Manager



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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



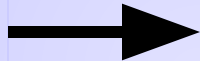
Corporate Structure

Sole Proprietorships



Unlimited Liability
Personal tax on profits

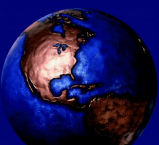
Partnerships



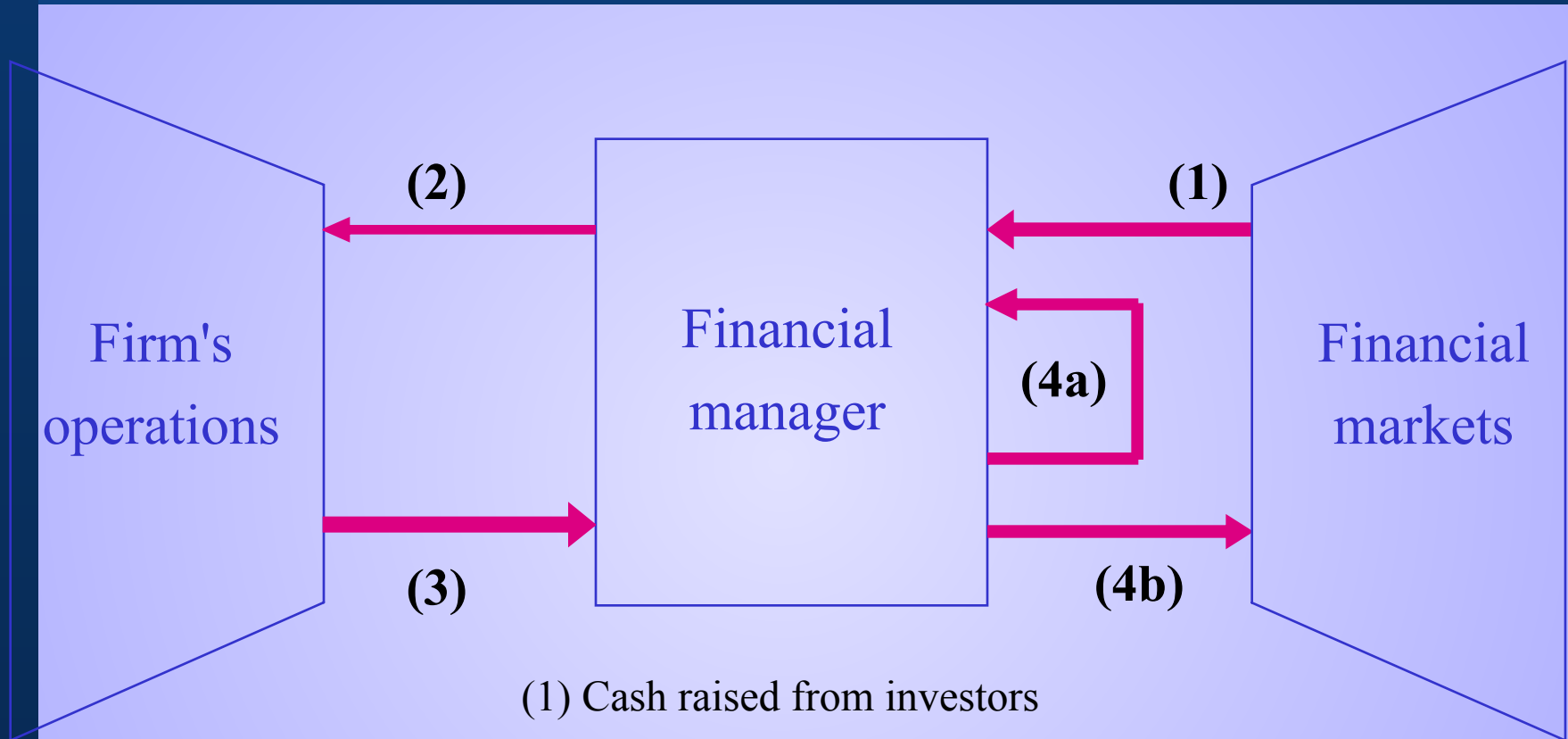
Corporations



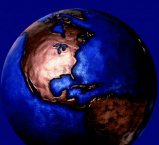
Limited Liability
Corporate tax on profits +
Personal tax on dividends



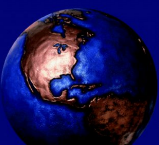
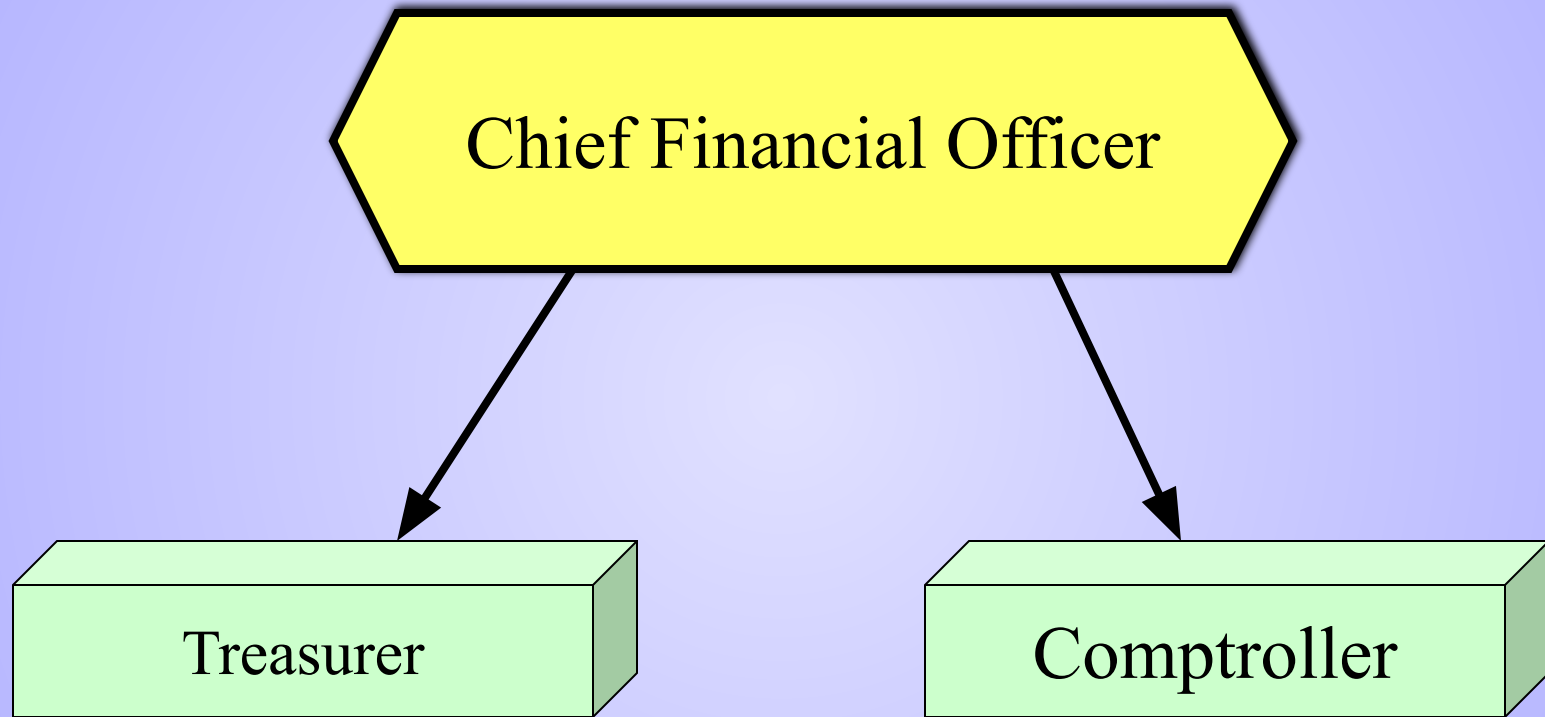
Role of The Financial Manager



- (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

