

Finance 323 Exam III Outline

This is an Outline of chapters 16 – 18 of the book. A good use for this outline is to look at the topics and see what you can say about them. For example: Can you define the terms? Can you describe how the concept is used? Can you think of an application? Can you find a problem in the appropriate chapter and solve it without help? Can you come up with a good question relating to the topic? Can you explain the idea and its use to someone else?

Chapter 16 SHORT-TERM FINANCIAL PLANNING

- I. Tracing Cash and Net Working Capital
- II. The Operating Cycle and the Cash Cycle
 - A. Defining the Operating and Cash Cycles
 - B. The Operating Cycle and the Firm's Organizational Chart
 - C. Calculating the Operating and Cash Cycles
 - D. Interpreting the Cash Cycle
- III. Some Aspects of Short-Term Financial Policy
 - A. The Size of the Firm's Investment in Current Assets
 - B. Alternative Financing Policies for Current Assets
 - C. Which Financing Policy is Best?
 - D. Current Assets and Liabilities in Practice
- IV. The Cash Budget
 - A. Sales and Cash Collections
 - B. Cash Outflows
 - C. The Cash Balance
- V. Short-Term Borrowing
 - A. Unsecured Loans
 - B. Secured Loans
 - C. Other Sources
- VI. A Short-Term Financial Plan

Chapter 17 WORKING CAPITAL MANAGEMENT

- I. Float and Cash Management
 - D. Reasons for Holding Cash
 - E. Understanding Float

- II. Cash Management: Collection, Disbursement, and Investment
 - A. Cash Collection and Concentration
 - B. Managing Cash Disbursements
 - C. Investing Idle Cash

- III. Credit and Receivables
 - A. Components of Credit Policy
 - B. Terms of the Sale
 - C. Optimal Credit Policy
 - D. Credit Analysis
 - E. Collection Policy

- IV. Inventory Management
 - A. The Financial Manager and Inventory Policy
 - B. Inventory Types
 - C. Inventory Costs

- V. Inventory Management Techniques
 - A. The ABC Approach
 - B. The Economic Order Quantity Model
 - C. Extensions to the EOQ Model
 - D. Managing Derived-Demand Inventories

Chapter 18 INTERNATIONAL ASPECTS OF FINANCIAL MANAGEMENT

- I. Terminology
- II. Foreign Exchange Markets and Exchange Rates
 - A. Exchange Rates
 - B. Types of Transactions
- III. Purchasing Power Parity
 - A. Absolute Purchasing Power Parity
 - B. Relative Purchasing Power Parity
- IV. Exchange Rates and Interest Rates
 - A. Covered Interest Arbitrage
 - B. Interest Rate Parity
- V. Exchange Rate Risk
 - A. Short-Run Exposure
 - B. Long-Run Exposure
 - C. Translation Exposure
 - D. Managing Exchange Rate Risk
- VI. Political Risk