

GB550: Financial Management | Unit 1

Details

This assignment is assessing the following Course Outcomes:

GB550-1: Evaluate the impact of financial management practices on organizational decision-making.

PC-5.1: Use language that is clear, concise, and organized.

Complete the following questions below. Prepare this Assignment as a Word® document. List each question(a–r), followed by your answer. Please submit this Assignment through the Dropbox.

Assume that you recently graduated and have just reported to work as an investment advisor at the brokerage firm of XYZ, Inc. One of the firm's clients is Sofia Matias, a professional tennis player who has just come to the United States from Chile. Matias is a highly ranked tennis player who would like to start a company to produce and market apparel she designs. She also expects to invest substantial amounts of money through XYZ, Inc. Matias is very bright, and she would like to understand in general terms what will happen to her money. Your boss has developed the following set of questions you must answer to explain the U.S. financial system to Matias.

- a. Why is corporate finance important to all managers?
- b. Describe the organizational forms a company might have as it evolves from a start-up to a major corporation. List the advantages and disadvantages of each form.
- c. How do corporations go public and continue to grow? What are agency problems? What is corporate governance?
- d. What should be the primary objective of managers?
 1. Do firms have any responsibilities to society at large?
 2. Is stock price maximization good or bad for society?
 3. Should firms behave ethically?
- e. What three aspects of cash flows affect the value of any investment?
- f. What are free cash flows?
- g. What is the weighted average cost of capital?
- h. How do free cash flows and the weighted average cost of capital interact to determine a firm's value?
- i. Who are the providers (savers) and users (borrowers) of capital? How is capital transferred between savers and borrowers?
- j. What do we call the cost that a borrower must pay to use debt capital? What two components make up the cost of using equity capital? What are the four most fundamental factors that affect the cost of money, or the general level of interest rates, in the economy?
- k. What are some economic conditions that affect the cost of money?
- l. What are financial securities? Describe some financial instruments.
- m. List some financial institutions.
- n. What are some different types of markets?
- o. Along what two dimensions can we classify trading procedures?
- p. What are the differences between market orders and limit orders?
- q. Explain the differences among broker-dealer networks, alternative trading systems, and registered stock exchanges.
- r. Briefly explain mortgage securitization and how it contributed to the global economic crisis.

Once completed, submit your Assignment to the Unit 1 Assignment Dropbox. The Assignment is due Tuesday 11:59 p.m. ET of their assigned unit.