

CONTENTS

PREFACE	5
INTRODUCTION	6
1. INTRODUCTION TO CORPORATE FINANCE	8
1.1. The contents of corporate finance	8
1.2. Business objectives	10
1.3. Financial statements	11
2. EXTERNAL EQUITY SOURCES OF FINANCE	17
2.1. External equity funds raised in a form of contributions made by partners and in a form of share capital	19
2.2. Share financing	20
3. INTERNAL EQUITY SOURCES OF FINANCE	27
3.1. Self-financing	27
3.2. Financing based on profit	27
3.3. Depreciation	30
3.3.1. Accounting and tax depreciation	31
3.3.2. The effect of capacity extension	38
3.4. Other sources of self-financing	38
4. DEBT SOURCES OF FINANCE	40
4.1. What is debt financing?	40
4.2. Bank loan	42
4.3. Collateral	45
4.4. The “Six Cs” of a loan	47
4.5. Classification of debt sources of finance	49
4.5.1. Long-term and medium-term debt sources of finance	51
4.5.2. Short-term debt sources of finance	54
5. ALTERNATIVE SOURCES OF FINANCE	61
5.1. Bonds	61
5.1.1. Characteristics of bonds	61
5.1.2. Classification of bonds	64
5.1.3. Measuring the riskiness of bonds	65
5.2. Leasing	68
5.2.1. Types of leases	69
5.2.2. Making the lease decision	71
5.3. Franchising	72
5.4. Factoring and forfeiting	73
5.4.1. Factoring	73
5.4.2. Forfeiting	75
5.5. Commercial papers	76

5.6. Venture capital	76
5.6.1. Types of venture capital investment	77
5.6.2. The venture capital process	78
5.7. Business angels	80
6. FINANCIAL AND CAPITAL STRUCTURE	81
6.1. Factors affecting a business's choice of capital structure	84
6.2. Cost of capital	86
7. INVESTMENTS	91
7.1. Real and financial investments	91
7.1.1. Real investments	91
7.1.2. Financial investments	99
7.2. Portfolio analysis	102
8. MANAGEMENT OF WORKING CAPITAL	106
8.1. Working capital and its requirement	106
8.2. Management of stock	112
8.2.1. Determining the average stock value	113
8.2.2. Stock management models	114
8.2.3. Complex systems of stock management	116
8.2.4. Stock ratios	116
8.2.5. Recent innovations in stock management	117
8.3. Management of receivables	118
8.4. Management of cash	122
8.5. Financing working capital	125
CONCLUSION	128
RESUMÉ	129
BIBLIOGRAPHY	132