

Study Guide for Final Exam
LESE 306 Fall 2010

Terms to know:

Asset liquidity
Credit liquidity
Debt repayment capacity
Optimal capital structure
Activity based cost accounting
Portfolio effect
Explicit and implicit cost of capital
Required rate of return
Terminal value
Maximum bid price
Master budget
Credit scoring
Credit standards
Six C's to creditworthiness
Process cost accounting
Job order cost accounting

I will pick five from this list for the final exam. Know these concepts and their definitions.

Financial indicators to know:

Current ratio
Debt ratio
Leverage ratio
Rate of return on assets
Rate of return on equity
Term debt and capital lease ratio

Know how to calculate and interpret these financial key indicators.

Equations to know:

Economic growth model
Loan amortization model
Net present value capital budgeting equations with:
a. Unequal lives (replacement chain approach)
b. With terminal value
c. Maximum bid price for land
d. Projecting future values

Be able to use these equations.

Problem and Mid-term Exam:

Study all problem sets and mid-term exam when preparing for the final.

Presentations:

Review the *process* that the borrowing team and lending teams used in conducting their analysis and reaching their conclusion.

Design of the final exam:

1. There will be one problem containing a list of terms to define.
2. There will be 5 problems much like those covered in the problem sets and mid-term exam.
3. There will be a *major* essay question dealing with the analytical process used in the borrowing and lending team presentations.
4. There will be 1– 2 additional essay questions.

A copy of the PIF and EPIF tables will be stapled to the end of the test booklet.

I will also attach a single sheet listing the time value of money equations covered in this course. It is up to you to know which equation fits the situation and how to apply the equation to solve a particular problem. The equations will not be labeled. The financial indicator equations will not be included.