

LECTURE 3

INSTRUCTOR'S NOTES:

BASIC CONCEPTS:

- Need of long range planning (Keep the Value-Line up per first lecture)
- Growth Rate – Initial/mature (continuing to growth – organic / non-organic)
- Set financial policy of growth:
 - Needed investment of new assets
 - What desired leverage (Debt/equity raising)
 - Dividends to shareholders – set cash amount to grow to before distribution
 - Set Liquidity and manage working capital to that liquidity

GROWTH AS A FINANCIAL PLANNER

- Growth but no cash? – Amazon changed its tactics – switch from growth to cash generation

DIMENSIONS OF FINANCIAL PLANNING

WHAT CAN PLANNING ACCOMPLISH

- Examining Interactions – Financing its growth (Debt/Equity)
- Exploring Options (marketing a new product and funding such launch)
- Avoiding Surprises (Develop contingency plans)

FINANCIAL PLANNING MODELS

- THE INGREDIENTS
 - Sales Forecast
 - Pro-Forma Statements
 - Asset Requirements
 - Financial Requirements
 - Economic Assumptions

CASE STUDY: COLORADO DENTAL AND SPREADSHEET ANALYSIS

- CONCEPTS OF DEBT CAPACITY
- TRANSACTION SOURCES & USES
- CALCULATING WACC