

CONTENTS

| | |
|--|----|
| Introduction | 6 |
| 1 Central Concepts of Corporate Finance | 7 |
| Questions | 9 |
| 2 The Time Value of Money and its Applications | 11 |
| A. Compound Interest | 11 |
| B. Perpetuities and Growth Perpetuities | 13 |
| C. Annuities | 14 |
| D. Continuous Compounding | 16 |
| Questions | 17 |
| 3 Risk and Return | 19 |
| Questions | 21 |
| 4 Intrinsic Valuation of Securities | 23 |
| A. Valuing Debt | 23 |
| B. Valuing Equity | 25 |
| Questions | 26 |
| 5 Options and their Value | 28 |
| Questions | 30 |
| 6 Cost of Capital | 32 |
| Questions | 36 |
| 7 Capital Budgeting | 38 |
| A. Investment Criteria | 38 |
| B. Estimating Project Cash Flows | 40 |
| Questions | 45 |
| 8 Financial Planning | 47 |
| Questions | 49 |
| 9 Working Capital Management | 50 |
| Questions | 53 |
| 10 Corporate Valuation | 54 |
| A. M&A and Financing Decisions | 55 |
| B. Corporate Valuation and Real Options | 56 |
| Questions | 58 |
| Appendix A: Solutions | 60 |
| Appendix B: Brief English-Czech Dictionary | 64 |