FUNDAMENTALS OF FINANCIAL MANAGEMENT
BY DR. JOEL HOUSTON

Session description:
This session will provide a broad introduction to the world of finance. Building upon basic finance concepts such as the time value of money, risk and return, and security valuation, we will demonstrate how these concepts apply to a wide range of corporate decisions. Along the way, students will also explore the various quantitative tools for analyzing financial problems. By the end of the session, students should have a solid understanding of the role of finance within the organization and the guiding principles for enhancing firm value.

The specific topics include:

Segment 1: Strategic significance of financial performance
- Goals of private and public firms
- Shareholder expectations and the role of corporate governance
- Stakeholder expectations
- Role and importance of financial and non-financial objectives

Segment 2: Analyzing financial statements
- An overview of key financial statements
- Using financial statements to evaluate financial performance
- Shortcomings of using financial statements to analyze profitability and performance

Segment 3: Valuation Principles
- How do firms create economic value?
- Establishing the proper incentives for value creation
- An overview of the DCF model for estimating value
- Applications

Segment 4: Risk and Return
- The tradeoff between risk and return
- Measuring risk and return
- Financial models for pricing risk

Segment 5: Raising Capital
- Factors influencing the availability of capital
- Factors influencing the cost of capital
- The effects of debt financing
- The optimal mix of debt and equity financing

Segment 6: Investing Capital
- Criteria for evaluating corporate projects: NPV, IRR and payback
- Estimating project CFs
- Estimating project risk
- Allocating capital within large organizations

Dr. Joel Houston is the John B. Hall Professor of Finance at the University of Florida. He received his M.A. and Ph.D. in Business Economics from the Wharton School at the University of Pennsylvania, and his undergraduate degree from Franklin and Marshall College. Prior to his appointment at the University of Florida, Dr. Houston was an Economist at the Federal Reserve Bank of Philadelphia. Professor Houston teaches introductory finance in the Traditional, Executive and Internet MBA programs. He also teaches a course entitled Measuring and Managing Value for MBAs and other graduate business students. His research focuses on the International links between capital market development and organizational structure, the role of banks in the capital acquisition process, executive compensation in banking, mergers and acquisitions in the banking industry, corporate governance, international banking and the structure of corporate debt. He is the Associate Editor of the Journal of Financial Services Research, the Journal of Money, Credit and Banking, and the Journal of Financial Economic Policy. He has also co-authored “Fundamentals of Financial Management” along with Eugene Brigham.