

## Summary of self-check questions for lectures & readings

### **Working capital management**

1. What kind of activities/components does working capital management encompass? Name at least 3.
2. What is the difference between gross and net working capital?
3. How do current assets differ from fixed assets? Name at least 2 differences.
4. What are the goals of working capital management? Name at least 2.
5. How does the traditional view on working capital management differ from the modern view?
6. How one can calculate cash conversion cycle? How this indicator should be interpreted?
7. How one can calculate operating cycle? How this indicator should be interpreted?
8. Which ratio can be calculated for determining the liquidity of the company? Present the formula and provide explanation to how it should be interpreted.
9. What kind of activities could benchmarking of working capital management involve?
10. What are the disadvantages of excess working capital? Name at least 3 items.
11. What are the disadvantages of inadequate working capital? Name at least 3 items.
12. Which factors influence company's working capital requirement? Name at least 3 items and explain their impact on the size of working capital.
13. What characterizes aggressive working capital financing strategy? Explain the strategy shortly.
14. What characterises moderate working capital financing strategy? Explain the strategy shortly.
15. What characterises conservative working capital financing strategy? Explain the strategy shortly.

### **Financial forecast & company value (FCF)**

1. What is the main difference between short-term and long-term financial plans?
2. What is the main difference between backward and forward-looking financial plans?
3. What is the main difference between the internal and external view on financial planning?
4. What is the first step in the financial forecasting process and how such forecasts should be prepared?
5. Which forecasts are usually prepared in the course of financial planning? Name at least 3.
6. What kind of problems are most frequently encountered while preparing financial forecasts? Name at least 2.
7. Which three DCF approaches are usually employed while valuing companies?
8. How does FCFF approach to valuation differ from that based on FCFE? Name at least 2 aspects.
9. How does two-stage free cash flow model differ from a single-stage free cash flow model?

### **Capital Structure, Valuation and Cost of Capital**

1. How does financial structure differ from company's capital structure?
2. How does capital structure affect the value of the firm?
3. Which two types of bankruptcy costs companies are exposed to? Explain each shortly.
4. What kind of signal is the replacement of equity for loan? Name at least 2.

5. If you use CAPM formula, how does the capital structure change affect the cost of equity? Explain using formulas.
6. How can the share re-purchase affect the size of equity capital of the company?
7. Why companies undertake share re-purchases? Name at least 3 reasons.

## **IPO**

1. What is the difference between primary and secondary offering?
2. What is the difference between primary and secondary listing? What kind of factors the company should consider when selection suitable locations for either of them?
3. Why companies go public? Name at least 3 reasons and provide explanations to each.
4. What kind of drawbacks may accompany listing? Name at least 3 reasons and provide explanations to each.
5. Why investors are interested in participating in IPOs? Name at least 2 reasons.
6. What characterises a good IPO candidate firm? Name at least 3 reasons.
7. Why companies use lock-up periods in IPO process and what do these entail?
8. How does red herring prospectus differ from the ordinary prospectus?
9. What is offering circular?
10. What is the obligation of a bookrunner in IPO process?
11. What factors companies should consider when selecting underwriter? Name at least 3.
12. In which ways does a “best effort” contract differ from “firm commitment”?
13. For which purpose companies use greenshoe options?
14. Who are part of the IPO banking team? Name at least 3 participants.

## **Cash, dividends and company value (multiples)**

1. Why companies sometimes prefer share re-purchase to dividends? Name at least 3 reasons.
2. Why companies prefer to pay high dividends? Name at least 2 reasons.
3. How does excess cash affect the liquidity ratios of a company?
4. How does excess cash affect ROA of a company?
5. How cash should be treated in FCFF valuation?
6. Which price multiples can be used in company valuation? Provide formulas for at least 3 and provide explanation to their interpretation.
7. Which enterprise value multiples can be used in company valuation? Provide formulas for at least 3 and provide explanation to their interpretation.
8. How method of comparables can be used in company valuation?

## **Financial distress**

1. What types of assets can be biological assets on a company's balance sheet?
2. How does financial distress differ from economic distress?
3. What are the activity options for a financially distressed firm?
4. What are the activity options for economically distressed firm?
5. When comparing bankruptcy and financial restructuring, what are the main differences between the two for claimholders? Cover at least 2 aspects.
6. What is the difference between LBO and MBO?
7. Why LBOs are used? Name at least 3 reasons.
8. What characterises a good LBO candidate? Name at least 3 aspects.
9. What is the difference between operational and financial restructuring?