

Corporate Finance

Reading 33: Corporate Governance & ESG: Intro

* Kaplan Questions

Do theory from Kaplan notes

- Duty of loyalty: Act in the interest of shareholders & comp.
- Duty of care: Act in good faith & due diligence
- Directors are legally responsible for their actions
- Shareholder theory: practices that are in shareholders interest
- Stakeholder theory: interest of various affected groups are considered & balanced
- Principal-agent relationship also known as Agency relationship

Conclusion

- Corporate Governance
- Company stakeholders
- Principal-agent problem
- Stakeholder management
- Board of directors & Committee
- Factors affecting corporate governance
- Risk of poor corp. gov.; benefits of good corp. gov.
- Factors to consider while analyzing corporate governance
- Environmental & social consideration in investment analysis

Reading 34: Capital Budgeting (CB)

- It is a process used by companies to make decisions on long-term projects
- Helps decide future of corporation
- Valuation principles used in capital budgeting are used in security valuation
- CB goals are consistent with mgmt goal of maximizing shareholder value

* Capital Budgeting Process

1. Generating ideas ☐ ☐ ☐
2. Analysing individual process $\Rightarrow$ O/P are profitable projects
3. Planning & Capital Budgeting $\Rightarrow$ helps in ordering
4. Monitoring & Post Audits $\Rightarrow$ monitor objectives are met or not.

* Project Categories

- Replacement projects
 - ↳ In order to replace old machines with higher maintenance, is it worth spending on new m/c w/ ↓ maintenance

- Expansion projects

- ↳ To decide whether to open new factories to produce more of same product or not

- New products & services

- Mandatory Projects

- ↳ Required by the gov.

- ↳ Analysis ^{step is} relatively ↓

- ↳ Typically generate little to no revenue

* Basic Principles of Capital Budgeting.

1. Decisions are based on cash flows

2. Timing of cash flows is crucial

3. Cash flows are based on opportunity cost

4. Cash flows are analyzed on an after-tax basis

5. Financing costs are ignored (Captured in project's IRR)

1.a Incremental Cash flow

- ↳ Changes in the cash flow that will occur if the project is undertaken

1.b. Sunk costs SHD NOT BE INCL. IN ESTIMATES

- ↳ Costs that cannot be avoided even if the prjt is not undertaken

- ↳ Should not be ^{included} in the analysis
- ↳ Eg. Consulting fee paid to mkt research firm before taking the decision.

1.6 Externalities SHOULD BE INCLUDED IN ESTIMATES

- ↳ Effects that acceptance of project may have on other firms cash flow

↳ Cannibalization :-

- ↳ -ve externalities
- ↳ Occurs when a new project takes sales from an existing product

↳ +ve externalities

- ↳ Occurs when doing the project would have a +ve impact on sales of firm's other product lines

1. Conventional CF → only 1 sign change → - + + + +

Unconventional CF → > 1 -ve → - + + + - - + +

Opp. cost - (Should be included in pjet costs)

- ↳ Cost that firm will lose if they undertake project under analysis
- ↳ ~~Cost~~ CF that are generated already by company's assets which will be gone if project is undertaken.

- Independent vs Mutually exclusive projects

- ↳ A B

- ↳ A or B

- ↳ Both are unrelated

- ↳ can be taken into consideration separately

- Project Sequencing

- ↳ Projects must be undertaken in a seq. so that investing in a project today creates opportunity to invest in other projects in future

- Unlimited funds vs Capital rationing

- ↳ Can invest in all +NPV projects

- ↳ Must prioritize

- NPV & IRR from Quant Methods notes

* Payback Period

- ↳ No. of yrs it takes to recover the initial cost of investment

- ↳ Advantages

- ↳ Easy to calculate & explain

- ↳ Indicator of project liquidity

↳ Drawbacks

- ↳ Does not consider cash flows after payback period
- ↳ - " - time val. of money
- ↳ - " - risk of the project

* Discounted Payback Period

↳ Uses present value of estimated cash flow.

↳ Drawbacks

- ↳ Does not consider CF after payback period
- ↳ Poor measure of profitability

Eg. interest rate 10%.

Year	0	1	2	3	4
Proj. A	(-800)	340	340	340	340

→ initial investment

Payback period: $\frac{1}{2}$ $\frac{2}{2}$ $\frac{3}{2}$
 $340 \rightarrow 680 (340+340) \rightarrow 1020$

$$2 + \frac{800 - 680}{1020 - 680} \approx \boxed{2.35}$$

↑
800

Discounted PBP:

	$\frac{1}{2}$	$\frac{2}{2}$	$\frac{3}{2}$
discounted CF	$\frac{340}{1.1}$	$\frac{340}{1.1^2}$	$\frac{340}{1.1^3}$
	309	281	255

$\frac{1}{2}$ $\frac{2}{2}$
 $309 \rightarrow 590 \rightarrow 845$

↑
800

$$\text{Disc PBP} = 2 + \frac{800 - 590}{845 - 590} = \boxed{2.8}$$

- If interest rate $\rightarrow$ +ve then $\text{Disc. PB} > \text{PB}$
 $\rightarrow 0$ $\text{Dis } \& \text{PB} = \text{PB}$

* Average Accounting Rate of return

$$\text{AAR} = \frac{\text{Avg. net income}}{\text{Avg. book val.}}$$

* Profitability index

$\hookrightarrow$ PV of future cash flows divided by initial investment

$$\text{PI} = \frac{\text{PV (future cash flows)}}{\text{Initial investment}}$$

$$\text{PI} = 1 + \frac{\text{NPV}}{\text{Initial investment}}$$

Rule

If $\text{PI} > 1.0 \Rightarrow \text{Invest}$

$< 1.0 \Rightarrow \text{Do not invest}$

* NPV Profile

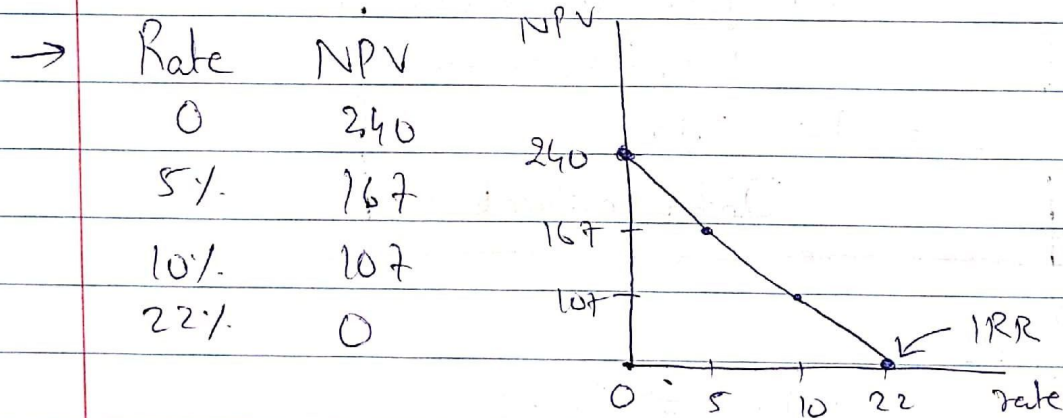
↳ Shows NPV graphed as a function of various discount rates.

↳ Y axis $\rightarrow$ NPV

X axis $\rightarrow$ Interest rates

Eg. Create NPV profile for project X

Year	0	1	2	3	4
Project X	-400	160	160	160	160



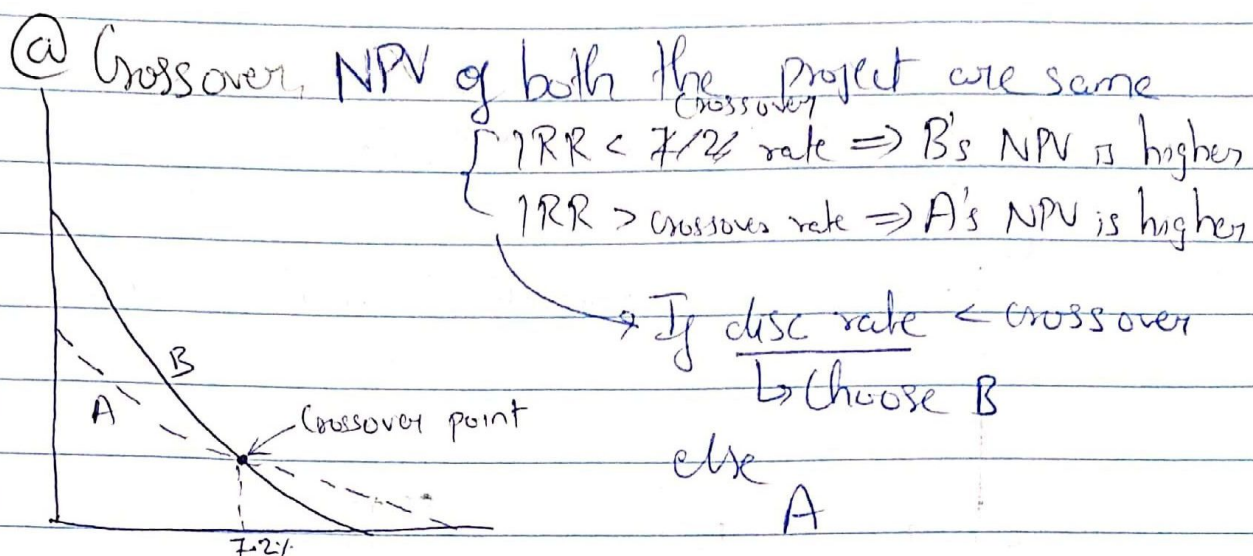
* Crossover IF PROJECT ARE MUTUALLY EXCLUSIVE

↳ Consider NPV profiles of two projects

Plot IRR on Y-axis

Plot NPV at 0% discount rate on X-axis

& join them.



Rate at which both NPV's are equal is called 'crossover rate'

Key advantage of

NPV

- $\hookrightarrow$ Direct measure of expected increase in the value of the firm
- $\hookrightarrow$ Theoretically, best method
- $\hookrightarrow$ Disadv

$\hookrightarrow$ Does not take size of the project under consideration.

IRR

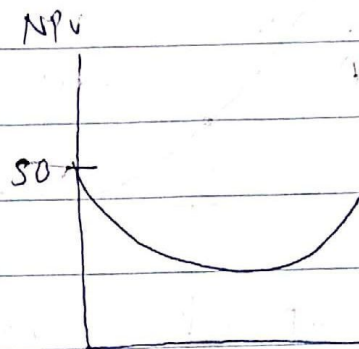
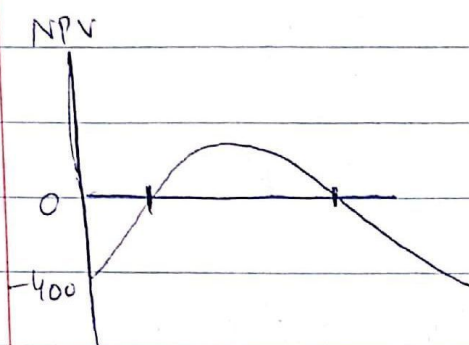
- $\hookrightarrow$ Profitability as %
- $\hookrightarrow$ Showing return on each dollar invested
- $\hookrightarrow$ Info abt margin of safety
- $\hookrightarrow$ Disadv

$\hookrightarrow$ Possibility of producing ranking diff. from NPV (in mutually exclusive project)

$\hookrightarrow$ Possibility that prjt has multiple IRR or no IRR.

Multiple IRR & No IRR Problem -

↳ Happens with unconventional cash flow pattern



Relationship btr NPV & Stock Price

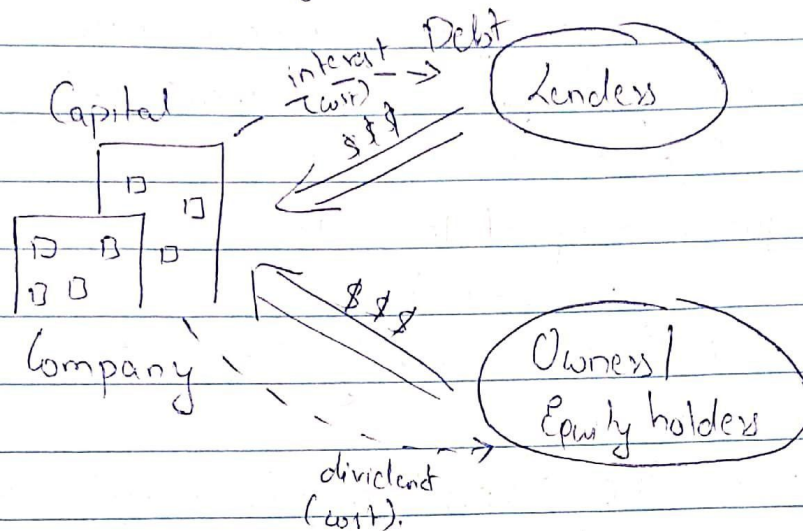
↳ NPV is direct measure of expected change in firm value

↳ +NPV $\rightarrow$ $\uparrow$ in stock price

< Eg. in quiz of notes >

Reading 35: Cost of Capital

- Helps analyst determine the proper rate at which to discount cash flows associated with capital budgeting



- Should invest if $IRR > \text{cost of capital}$
- Riskier projects $\Rightarrow \uparrow \text{cost of capital}$

* Weighted avg. cost of capital (WACC) / Marginal cost of capital (MCC)

↳ Debt, preferred stock, common equity $\rightarrow$ Capital components

↳ Any $\uparrow$ in assets financed through an increase in at least one of the capital components

↳ Component cost: cost of each capital comp.

↳ WACC: cost of financing firm's assets

Cost of Capital = WACC = MCC

$$WACC = w_d r_d (1-t) + w_p r_p + w_e r_e$$

where

r_d = Rate at which firm can issue new debt. Yield to maturity. (Before-tax component cost of debt)

$r_d(1-t)$ = After-tax cost of debt

t = firm's marginal tax rate

r_p = Cost of preferred stock

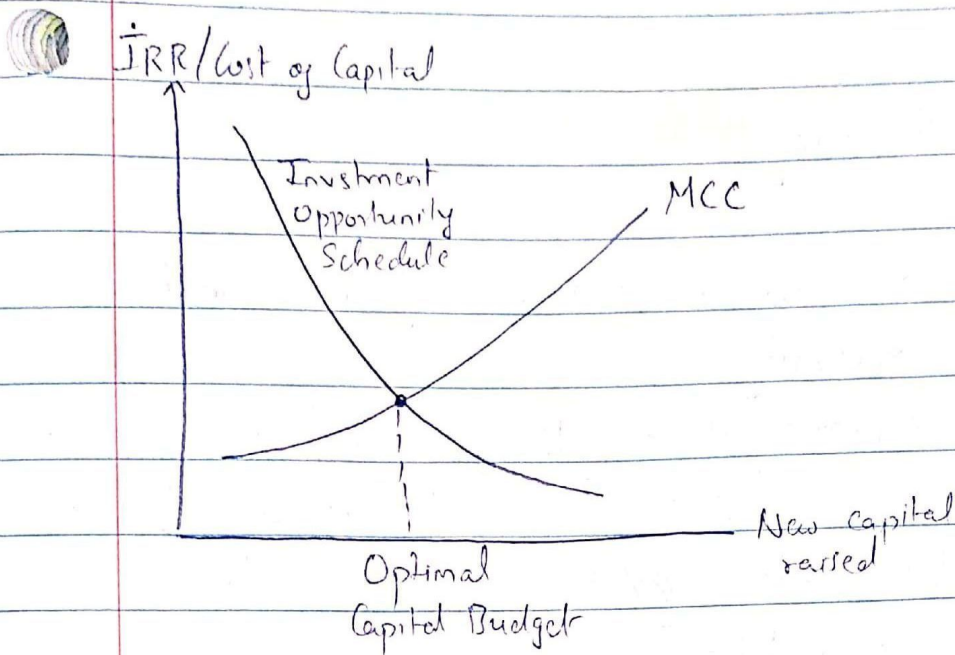
r_e = Cost of common equity. Required rate of return.

Weights are the proportion of each source of capital in a firm's capital structure

* Weights of the weighted average

- Weights should be based on
 - ↳ Market values
 - ↳ Target capital structure

- In absence of target capital structure use
 - ↳ Current target capital structure
 - ↳ Trend in firm's capital structure
 - ↳ Average of comparable industry avg. capital structure



- Understand projects to the left of optimal capital budget (i.e. higher IRR > cost of funds)
NPV +ve

* Role of WACC

- For average risk projects, use WACC to calculate NPV
- Adjustments to cost of capital are necessary when project differs in risk from average risk of a firm's existing projects.
- * Discount rate adjusted upward $\rightarrow$ for $\uparrow$ risk projects

* Cost of Debt

$\hookrightarrow$ It is the cost of debt financing to a company when it issues a bond or takes out a bank loan

$\hookrightarrow$ 2 methods

$\hookrightarrow$ YTM

$\hookrightarrow$ Debt rating

Cost of Capital = 11.2%

- Yield to Maturity

↳ Annual returns investors earn if the bond is held till maturity

↳ Eg. A company issues 10-year, 8% semi-annual coupon bond. Upon issue the bond sells for \$980.

If marginal tax rate is 30%, what is the after-tax cost of debt?

→ $N = 20$ $PV = -980$ $PMT = 40$ $FV = 1000$

↓

$Y/Y = 4.15 \rightarrow$ semi-annual

$4.15 \times 2 = 8.3\%$

$A.T = 8.3 (1 - 0.3)$

$= 5.8\%$

- Debt rating Approach

↳ Use when reliable current mkt price^{on comp. debt} is not available

↳ Estimate before-tax cost of debt based on comparable bonds

↳ Similar rating

↳ Similar maturity

* Cost of Preferred Stock

Payment

- first promised by comp. to pref. stk owners as dividends

$$CPS = \frac{\text{Preferred dividend}}{\text{Current price}}$$

* Cost of Common Equity use long term R_f rate for R_f

↳ Rate of return req. by company's shareholders

↳ Commonly used approach

↳ Capital Asset Pricing Model (CAPM)

↳ Dividend discount model (DDM)

↳ Bond yield + risk premium method

* CAPM

$$r_e = R_f + \beta [E(R_{mkt}) - R_f]$$

↳ Equity risk premium
Mkt risk premium

where R_f = risk free rate (use long term gov. bonds)

β = risk of company (volatility)

ERP can be calculated using historical returns

• DDM

↳ If dividends are expected to grow at a constant rate, g , then current val. of stock is given by dividend growth model

$$P_0 = \frac{D_1}{r_e - g}$$

(Current val. of stock)

where

D_1 = Next year's dividend

★ If given D_0 , then $D_1 = D_0(1+g)$

g = constant growth rate

Rearranging

$$r_e = \frac{D_1}{P_0} + g$$

where

$$g = (\text{retention rate})(ROE) = (1 - \text{payout rate})(ROE)$$

r_e also called cost of retained earnings

- Bond yield plus risk premium approach

$$r_e = \text{bond yield} + \text{risk premium}$$

→ This is pre-tax

* Estimating Beta & Determining a project beta

- A firm's beta is used to estimate required return on equity (CAPM)
- It is a measure of risk
- At times we need to estimate β of a non publicly traded company.

- Use Pure-Play Method $\left\{ \begin{array}{l} \text{Equity beta} = \text{Levered beta} = \\ \beta_{\text{in CAPM}} \end{array} \right\}$

Steps

1. Determine comparable's asset & (unlevered) beta as

$$\beta_{\text{asset}} = \beta_{\text{equity}} \left[\frac{1}{1 + (1 - t) D/E} \right]$$

Asset beta doesn't change with change in D/E ratio

2. Get equity (levered) beta for the project $= \beta_{\text{asset}} \left[1 + (1 - t) D/E \right]$

* Country Risk

- For companies in developing countries add country risk premium (CRP)

$$r_e = R_f + \beta [E(R_{mkt}) - R_f + CRP]$$

- General risk of developing countries reflected in sovereign yield spread

Sovereign yield spread

= diff. in yields of gov bonds in developing countries & T-bonds of similar maturity of developed country

$$CRP = \text{Sovereign yield spread} \times \frac{\sigma_{\text{Equity index of developing}}}{\sigma_{\text{Bond mkt of developed}}}$$

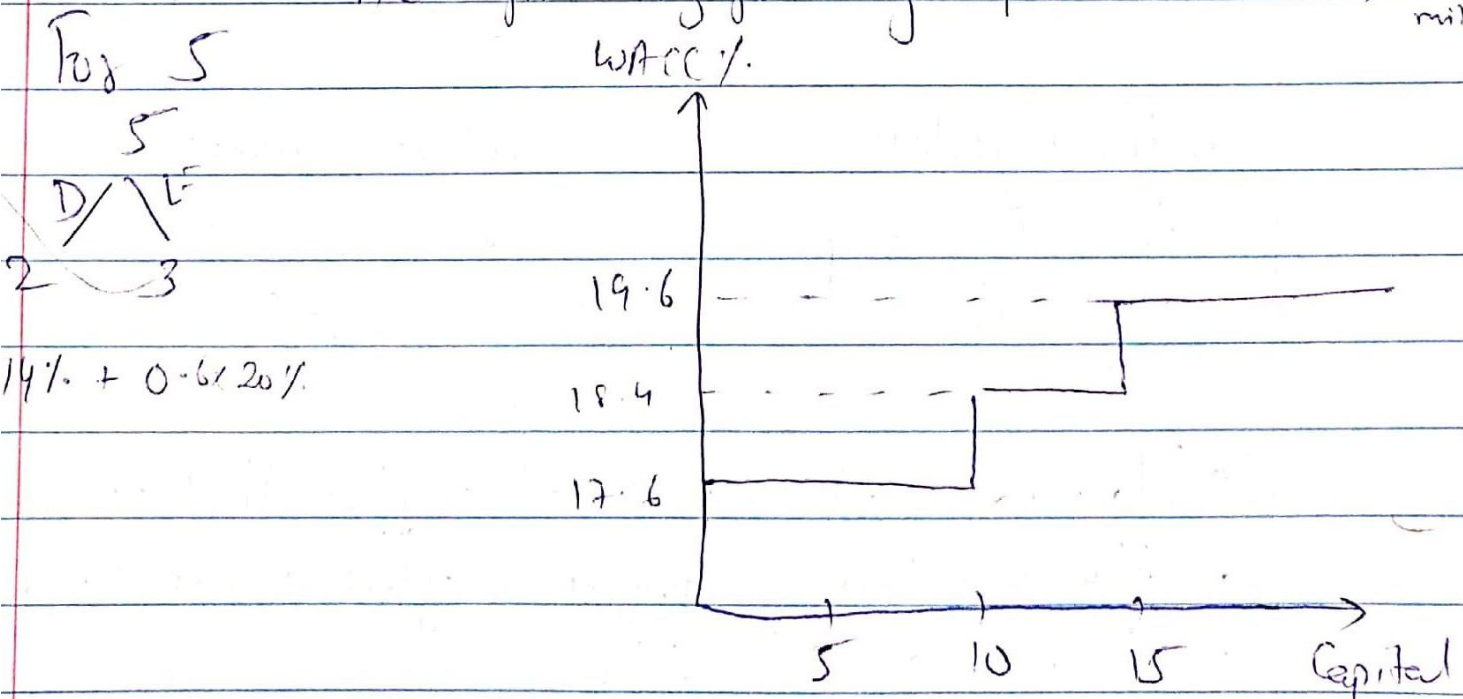
Marginal Cost of Capital Schedule

- Raising additional capital results in increase in WACC
- MCCS shows the WACC for different amounts of financing.

Eg. Company's target capital structure is 60% equity & 40% debt

Amt of new debt (in millions)	Cost of debt (after tax)	Amt of new equity (mill)	Cost of equity
≤ 4.0	14%	≤ 9.0	20%
> 4	16%	> 9	22%

Calculate WACC for raising following capital: 5, 10, 15, 20 million



Breakpoint

↳ Occurs when the cost of ~~any~~ one of the components of company's WACC changes

breakpt = $\frac{\text{amt of capital at which components cost of capital change}}{\text{wt. of component in capital structure}}$

* Floatation Costs



↳ Are the fees charged by investment bankers when a company raises external capital

↳ Correct method - Adjust this while calculating cost of equity under WACC

Without floatatn

$$r_e = \frac{D_1}{P_0} + g$$

With floatatn

$$r_e = \frac{D_1}{P_0 - F} + g$$

↳ Floatation costs are a cash outflow that occurs at the initiation of a project & affect project NPV by increasing cash outflow

Summary

WACC concept & calculation

Cost of debt $\leftarrow$ ^{YTM} Debt rating

Cost of preferred shares $\leftarrow$ $\left(\frac{P \cdot Div}{Stk \text{ price}} \right)$

CAPM

Cost of equity $\leftarrow$ DDM
 Bond yield + risk premium

Other topics

$\hookrightarrow$ Pure-Play

$\hookrightarrow$ CRP

$\hookrightarrow$ M.C.C. Schedule, Breakpt

$\hookrightarrow$ Flotation costs

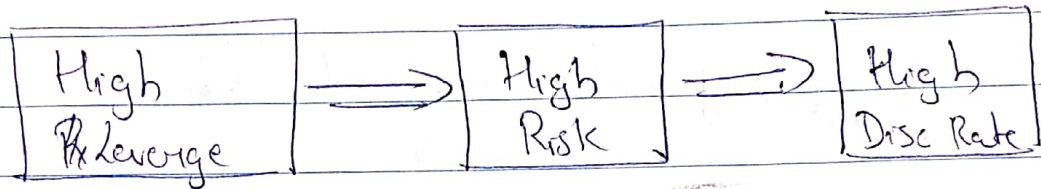
Kaplan

If WACC is constant & not risk adjusted it will reject profitable low risk & accept unprofitable high risk

Cost of debt is usually lower than preferred stock & common stock.

Reading 36: Measures of Leverage

- Refers to amount of FIXED COSTS a firm has.
- Operating fixed costs $\rightarrow$ operating leverage
Financial fixed costs $\rightarrow$ financial leverage
- For highly leveraged firms, a small change in sales will have a big impact on earnings



Business Risk

Sales Risk

$\hookrightarrow$ Variability in profit due to uncertainty of sales price & volume

Operating Risk

$\hookrightarrow$ Risk due to operating cost structure

Finance Risk

$\hookrightarrow$ Risk due to debt financing

* EBIT $\rightarrow$ Earnings before interest & taxes
i.e. Sales - variable cost - fixed cost

* Operating Risk

$$\text{DOL} = \frac{\% \text{ change in operating inc (EBIT)}}{\% \text{ change in Sales}}$$

Degree of operating leverage

$$\text{DOL} = \frac{Q(P-v)}{[Q(P-v) - F]} \times \frac{\text{EBIT}}{\text{EBIT} - \text{Fixed Cost}}$$

Sales - Var. Cost
Sales - Var. Cost - fixed cost

Q = No. of units sold

P = Sales price per unit

v = Variable cost per unit

F = Fixed operating cost

C = Fixed financing cost

- Degree of operating leverage depends on level of sales
- $\uparrow$ sales $\rightarrow \downarrow$ DOL

* Financial Risk

$$\text{DFL} = \frac{\% \text{ change in net inc (EPS)}}{\% \text{ change in operating inc.}}$$

Degree of financial leverage

$$\text{DFL} = \frac{Q(P-v) - F}{Q(P-v) - F - C} \times \frac{\text{EBIT}}{\text{EBIT} - I}$$

→ Change to acc. depr. ↑ fixed costs making DTL ↑

* Total leverage

$$DTL = \frac{\% \text{ change in net income}}{\% \text{ change in units sold}}$$

$$DTL = DOL \times DFL = \frac{Q(P-v)}{Q(P-v) - F - C}$$

* Effects on Net Inc & ROE

High leverage → high ROE volatility → high ROE levels

$$ROE = \frac{\text{Net Inc}}{\text{Equity}}$$

$$\text{Contribution margin} = P - V$$

* Break-even point

No. of units produced & sold at which $NI = 0$

$$Q_{BE} = \frac{F + C}{P - V}$$

* Operating Breaking Point

$$Q_{BE} = \frac{F}{P-v}$$

No. of units produced & sold at which $EBIT=0$.

↑ fixed costs → ↑ breakeven qty. → greater the effects of leverage on net income

£

Summary

$$DOL = \frac{\% \text{ change operating inc}}{\% \text{ change in sales}} = \frac{Q(P-v)}{Q(P-v)-F}$$

$$DFL = \frac{\% \text{ chng in NI}}{\% \text{ op. inc}} = \frac{Q(P-v)-F}{Q(P-v)-F-C}$$

$$DTL = DOL \times DFL = \frac{Q(P-v)}{Q(P-v)-F-C}$$

$$Q_{BE} = \frac{F+C}{P-v}$$

$$Q_{BE} = \frac{F}{P-v}$$

Kepler

- Additional debts should be used in capital struct if it $\uparrow$ value of firm

Reading 37: Working Capital Management

- WCM involves managing relatⁿ bⁿ firms short term assets & short term liabilities
- Goal :- To ensure that company has ~~ad~~ adequate ready access to funds necessary for day to day operations.

* Factors affecting WCM

Internal Factors

- Company size & growth rate
- Org. structure (Centr. (Decentr))
- Sophisticatⁿ of WCM
- Borrowing & investing positⁿ

External Factors

- Banking services
- Interest rates
- Economy
- Competitors

* Managing & Measuring Liquidity

Liquidity

↳ Extent to which company is able to meet its short term obligations using assets that can be transformed to cash.

• Sources of Liquidity

<u>Primary Source</u>	<u>Secondary Source</u>
• Cash Balance	• Negotiating debt contracts
• Trade Credit	• Liquidating assets
• Short term invest. portfolio	• Filing for bankruptcy

• Factors that weaken a company's liquidity

↳ Drag on liquidity: Delay or reduce cash flows for
↑ borrowing costs

Eg. Uncollected receivables, obsolete inventory

↳ Pulls on liquidity: Disbursements paid too quickly

Eg. Payments made early, reduced credit limit

* Liquidity Ratios

↳ Used by analysts to determine firm's ability to pay short-term liabilities.

• Current ratio

$$= \frac{\text{Current assets}}{\text{Current Liabilities}}$$

• Quick ratio / acid-test ratio

$$= \frac{\text{Cash} + \text{short term mkt. securities} + \text{receivables}}{\text{current liabilities}}$$

• Receivables turnover

↳ Measure of accounts receivables liquidity

$$= \frac{\text{Credit sales}}{\text{average receivables}}$$

↳ Must be close to industry norm.

↳ ↑ RTO → company is collecting money from customers relatively fast

- No. of days receivable = 3

$$= \frac{365}{\text{Rec. turnover}}$$

- Inventory turnover
↳ How quickly is company selling the inventory

$$= \frac{\text{Cost of goods sold}}{\text{Avg. inventory}}$$

- No. of days of inventory

$$= \frac{365}{\text{Inv. turnover}}$$

- Payables turnover ratio

$$= \frac{\text{Purchases}}{\text{Avg. trade payables}}$$

- No. of days of payable

$$\frac{365}{\text{Payable turnover ratio}}$$

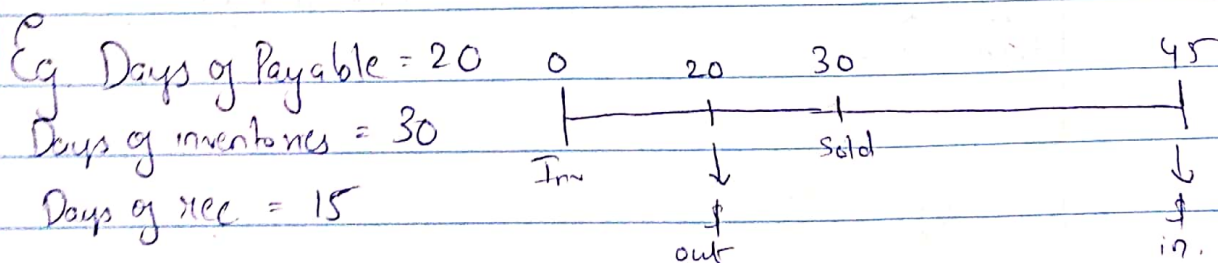
- Operating cycle

↳ Avg. no. of days it takes to turn raw materials into cash proceeds from sales

$$\text{operating cycle} = \text{days of inventory} + \text{days of receivables}$$

$$\text{Cash conversion cycle} = \text{Net operating cycle} = \text{Avg days rec} + \text{Avg days inventory} - \text{avg days payable}$$

↳ How much time it takes b^{tw} ^{when} you to pay cash to when you get cash



- High conversion cycle $\rightarrow$ not desirable $\rightarrow$ Company has excessive amount of investments in working capital

* Manage Cash Position

- Goal:- To make sure firm has enough uninvested cash available to make routine purchases & pay expenses as they due
- Do not want low or -ve cash
 - ↳ Expensive to borrow cash on short notice
- Do not want excessive cash
 - ↳ Losing out on interest inc
- By preparing forecast over short & medium & long term considering cash inflows & outflows, firm can identify periods when cash bal is ↓

Inflows

- Receipts from ops
- Fund transfers from subs
- Making investments
- Other inc

Outflows

- Payments to employee
- Payments to suppliers
- Debt payments

* Investing Short-term Funds

- A temp. store of funds not necessarily needed for company's daily transactions.
- Short term working capital portfolios consists of securities that are highly liquid, less risky & shorter in maturity than other.
- Generally consists of short-term gov. securities, short term bank & corporate obligations

$$\underline{\text{Discount basis yield}} = \left(\frac{\text{face val} - \text{price}}{\text{face val}} \right) \times \frac{360}{\text{days}}$$

$$\underline{\text{Money mkt yield}} = \left(\frac{\text{face val} - \text{price}}{\text{price}} \right) \times \frac{360}{\text{days}}$$

$$\underline{\text{Bond equivalent yield}} = \left(\frac{\text{face val} - \text{price}}{\text{price}} \right) \times \frac{365}{\text{days}}$$

Return on firm's short term must $\rightarrow$ Bond eq. yield
Return on portfolio $\rightarrow$ Weighted avg of these yields

• Investment Policy for Cash Management

↳ Objective :- To earn mkt return without taking on risk, either liquidity risk or default risk

↳ Invest policy statement must include

↳ SOP

↳ Objective

↳ General guidelines abt strategy

↳ Types of sec. to be used

↳ Who is allowed to purchase securities

↳ Who is responsible for complying with guidelines

↳ Limitatⁿ about specific type of securities permitted etc

↳ The policy should not be overly restrictive

* Managing accounts receivables

- Calculating avg no of days of receivables & comparing it to firm's historical performance
- More details about accounts receivable performance can be gained by using 'Aging Schedule' or 'Weighted average collection period'

- Company must evaluate trade-off bⁿ stricter credit terms and the ability to make sales.

* Inventory Management

- Inv. level too low → loss of sales due to stock outs
too high → increases carrying cost
hence the trade off

- Two approaches to manage the inv.

- ↳ Economic order quantity - reorder point

- ↳ Just-in time inventory

- Evaluating inv. mngt

- ↳ Inventory turnover 2 days of inventory

- ↳ Company ratios among industries can be misleading.

* Accounts Payable Management

- Paying too early is costly unless the company take adv. of discount
- Late payment impacts company's creditworthiness

- Evaluate Accounts Payable using PTO & no. of days payable

- Payables contains discount available to those who pay quickly Terms "2/10 Net 60" mean that if invoice is paid within 10 days, company gets 2% discount on invoiced amount & if company doesn't take advantage of discount, the net amt is due 60 days from date of invoice

Cost of not paying early

$$\text{Cost of trade credit} = \left(1 + \frac{\text{discount}}{\text{face} - \text{discount}} \right)^{\frac{365}{\text{days past disc}}} - 1$$

$$= \left(1 + \frac{\% \text{ disc}}{1 - \% \text{ disc}} \right)^{\frac{365}{\text{days past disc}}} - 1$$

If cost of trade credit > returns you get on funds, then avail the disc.

* Short-term financing management

- Should focus that the company maintains a sound liquidity
- Ensure sufficient capacity to handle peak cash needs
- Maintain sufficient sources of credit (alternate sources)
- Ensure rates are cost effective

- Short term borrowing from banks

- ↳ Uncommitted line of credit: Firm has to pay no fee but there is no guarantee that bank will provide money at any time needed by the firm.

- ↳ Committed line of credit: Firm has to pay a small fee but in turn banks promise to provide funds to firm, whenever needed. This is usually for shorter duration.

- ↳ Revolving line of credit: More reliable than committed. Usually for longer duration.

- Companies not having sufficient credit quality can borrow using asset-based loans.

- Short term collateralized by receivables or inventories financing

- Long-term financing → fixed assets.

- Banks may have blanket lien which gives claim to all current & future assets of the firm.

- Bankers acceptance used by firm that export goods. Guarantee from the bank of the firm stating payment will be made upon receipt of goods. The exporting company can then sell this acceptance at a discount rate in order to get immediate funds. Used in international trade

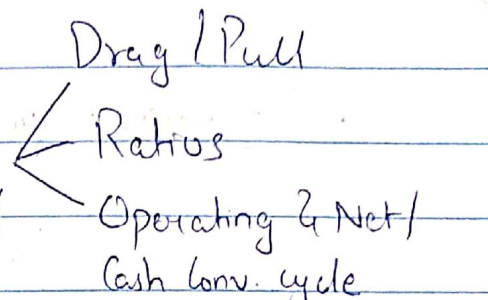
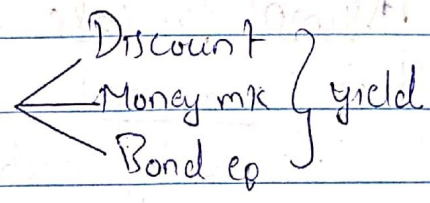
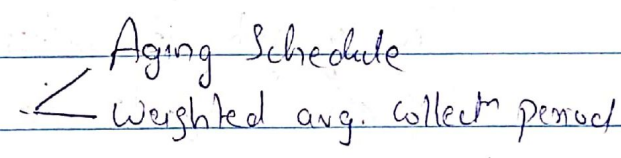
- Factoring refers to actual sale of receivables at a discount from their face value

- Commercial paper used by large borrowers.

Sources available, in order of decreasing firm creditworthiness & ↑ cost include:

- Commercial paper
- Bank lines of credit
- Collat borrowing
- Non-bank fin.
- Factoring

Summary

- Managing & Measuring Liquidity 
 - Drag / Pull
 - Ratios
 - Operating & Net / Cash conv. cycle
- Managing Cash Position (Forecasting inflow/outflow etc.)
- Investing Short term funds 
 - Discount
 - Money mkt
 - Bond eq
 - yield
- Managing Accounts Receivables 
 - Aging Schedule
 - weighted avg. collectn period
- Managing Inventory
- Managing Accounts Payable (Cost of ^{trade} credit)
- Managing Short term financing (Banks, non-banks, etc.)