

# Thursday, May 22 1:30 pm–3:00 pm

# **5001** The Top Ten Things You Should Know About Corporate Finance

**M. Dana Moore** *Managing Principal* JEG Consulting Services

# Faculty Biography

### M. Dana Moore

M. Dana Moore is the managing principal for JEG Consulting Services based out of Chevy Chase, Maryland. The focus of her consulting practice is real estate finance credit services. This includes helping clients to structure their credit and risk evaluation departments, participation as an independent third party on credit committee(s), and providing training on risk analysis.

Prior to founding this company, Ms. Moore worked at Fannie Mae in a variety of credit/risk evaluation functions. Most recently, she was the senior vice president of credit for Fannie Mae's commercial housing lines of business (American Communities Fund, Multi-Family Housing, and CDFIs). Prior to Fannie Mae, Ms. Moore was with Bank of America as senior vice president risk management in the Community Development Bank.

Ms. Moore received a B.A. from Dickinson College and a certificate in accounting from the University of Baltimore. She has completed all course work toward a master's from Johns Hopkins University.

# Why is your understanding of Corporate Finance Important?

- ENRON
- WorldCom
- Arthur Anderson
- Tyco
- Countrywide
- Fannie Mae and Freddie Mac

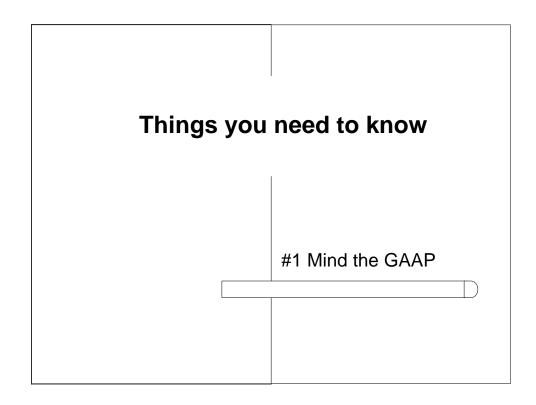
- Client
  - Firm reputation
  - Ability to do your job
- Investor
  - Protecting your own interest
- Reading the paper - It's everywhere

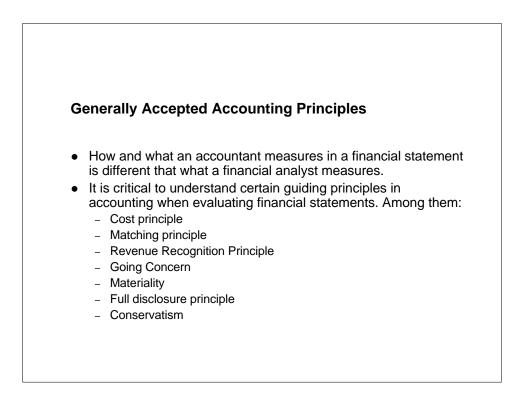


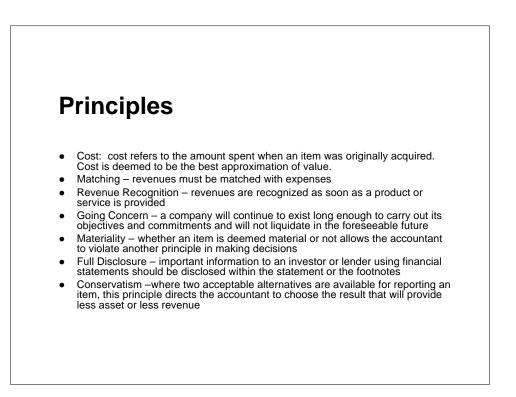
- You will not walk away this afternoon ready to start a career as a financial analyst
- You won't walk away ready to join the accounting profession
- You will walk a way with an overview of Corporate Finance and an approach for developing an understanding of any Company

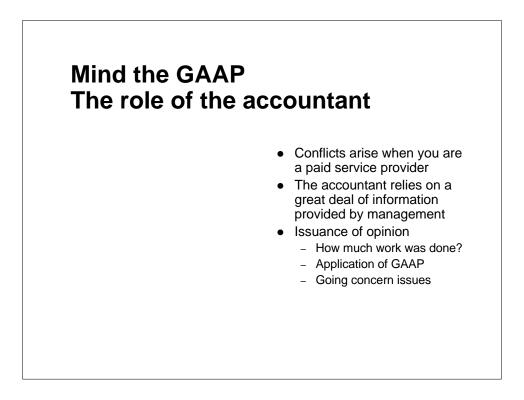




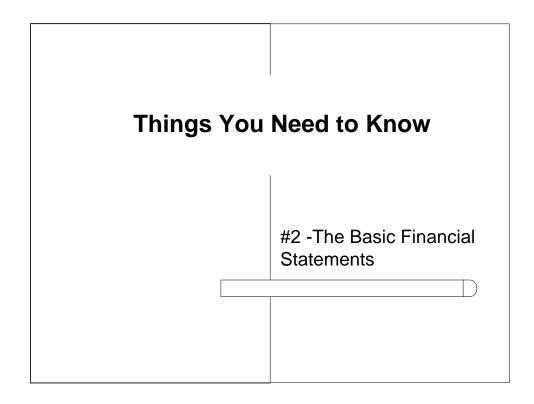


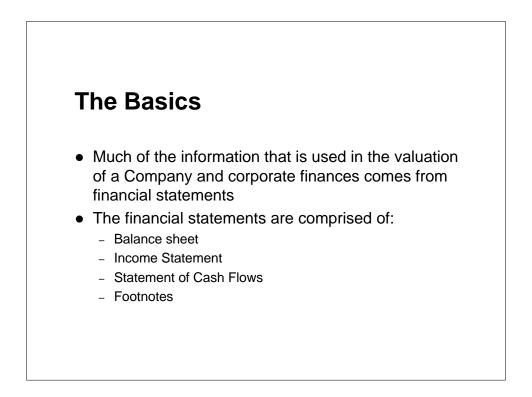


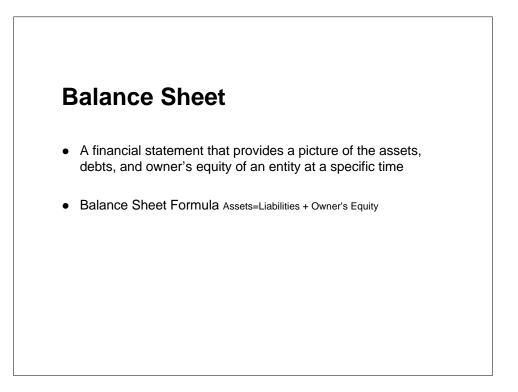


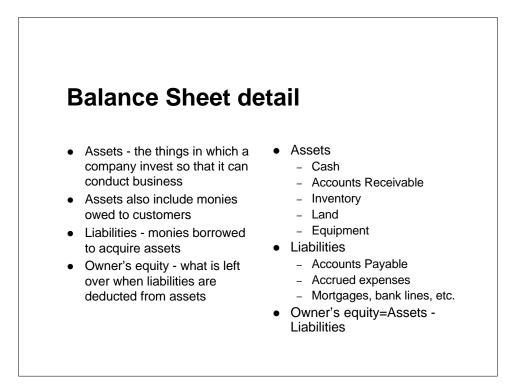


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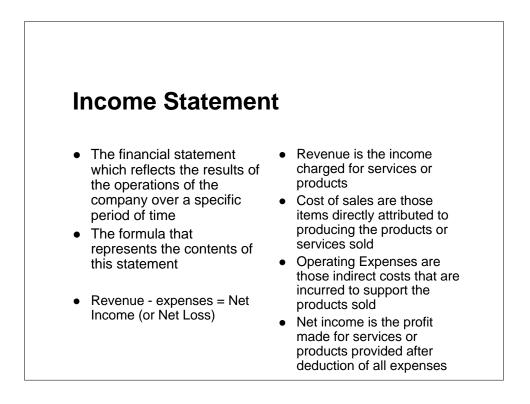




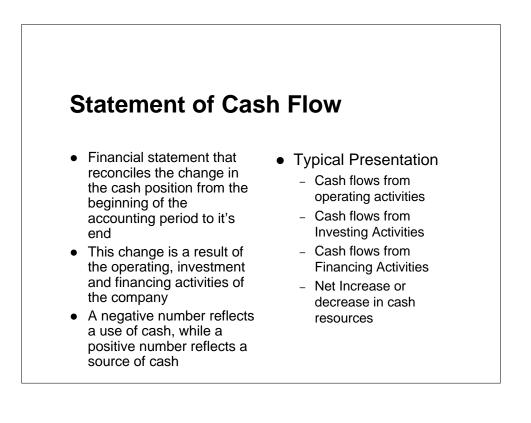




XYZ COMPANY LIMITED BALANCE SHEET					
AS AT					
JUNE 30, 2002					
UNAUDITED - See "Notice to Read	er"				
		0000		2001	
ASSETS		2002		2001	
CURRENT					
Cash	\$	11,552	\$		
Accounts receivable		42,970		50,595	
Deposits and prepaid expenses		2,942		2,688	
Inventory		159,144	-	156,657	
interiory		216,608		209,940	
PROPERTY, PLANT AND EQUIPMENT (Note 2)		59,890		76,318	
INVESTMENTS				45,001	
INVESTMENTS	s	276,498	\$	331,259	
	-	210,400	*=	001,000	
LIABILITIES					
CURRENT					
Bank overdraft	\$		\$	9,474	
Bank loan				60,000	
Accounts payable and accrued liabilities		82,053		91,343	
Long-term debt - current portion		25,200			
Income tax payable		14,387	-		
		121,640		160,817	
DUE TO SHAREHOLDER (Note 3)		51,591		231,791	
LONG-TERM DEBT (Note 4)		86,100			
LONG-TERM DEDT (NOTE 4)		259,331	-	392,608	
SHAREHOLDER'S EQUITY					
		225			
STATED CAPITAL (Note 5)		1		1	
RETAINED EARNINGS (DEFICIT)		17,166	÷	(61,350)	
	-	17,167		(61,349)	
	\$	276,498	\$_	331,259	
APPROVED					

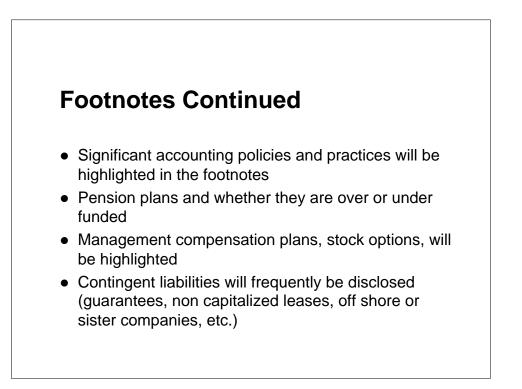


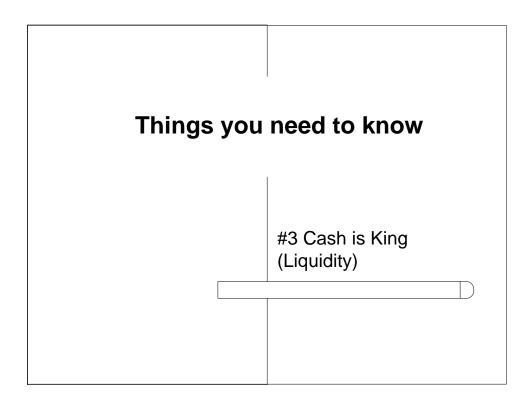
STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2002						
UNAUDITED - See "Notice to Reader"						
	2002	2001				
REVENUE	\$ 1,104,786	\$ 1,133,736				
COST OF SALES Opening inventory Delivery Purchases	156,657 1,607 740,994 899,258	146,278 1,249 <u>794,101</u> 941,628				
Closing inventory	159,144 740,114	156,657 784,971				
GROSS PROFIT	364,672	348,765				
OPERATING EXPENSES (schedule)	286,817	339,905				
INCOME FROM OPERATIONS	77,855	8,860				
OTHER INCOME (EXPENSES) Loss on disposal of property, plant and equipment Gain on sale of investment Miscellaneous	16,149 (1,101) 15,048	(387) 				
NET INCOME BEFORE TAX	92,903	8,810				
INCOME TAX EXPENSE	14,387					
NET INCOME	78,516	8,810				
(DEFICIT) - Beginning of Year	(61,350)	(54,160)				
DIVIDENDS		(16,000)				
RETAINED EARNINGS (DEFICIT) - End of Year	\$ 17,166	\$ (61,350)				



	CASH FLOWS FROM OPERATING ACTIVITIES					
	Net income for the year	\$	78,516	\$	8,810	
	Adjustment for:					
	Amortization		17,854		16,856	
	Loss on disposal of property, plant and equipment				387	
	Gain on disposal of investment		(16,149)			
	Cash derived from operations		80,221		26,053	
	Decrease (increase) in working capital items					
	Accounts receivable		7,625		23,380	
	Deposits and prepaid expenses		(254)		688	
	Inventory		(2,487)		(904)	
	Accounts payable and accrued liabilities		(9,290)		34,543	
	Long-term debt - current portion		25,200		-	
	Income tax payable	_	14,387		2,206	
	Cash flows from operating activities		115,402		85,966	
		1.77				
	CASH FLOWS FROM INVESTING ACTIVITIES					
	Acquisition of property, plant and equipment		(1,426)		(10,342)	
	Proceeds from disposal of property, plant and equipment				3,113	
	Proceeds from disposal of investment		61,150			
	Dividends				(16,000)	
	Cash flows from investing activities	_	59,724		(23,229)	
	Gash hows from investing detivities		00,121		(10,110)	
	CASH FLOWS FROM FINANCING ACTIVITIES					
	Advances from (repayments to) shareholder		(180,200)		(150,000)	
	Acquisition of (repayment of) long-term debt		86,100			
		10	(94,100)	1	(150,000)	
		-	(34,100)	-	(100,000)	
	NET INCREASE (DECREASE) IN CASH RESOURCES		81,026		(87,263)	
					(1111111)	
	CASH (DEFICIENCY) RESOURCES - Beginning of Year		(69,474)		17,789	
	Gran (BENGENGT) RECOONSES BOgining of Four	-	(001111)	-		
	CASH RESOURCES (DEFICIENCY) - End of Year	S	11,552	S	(69,474)	
		=	Condenses-			
	Cash resources (deficiency) is comprised of:					
	Cash	S	11,552	\$		
	Bank overdraft			*	(9,474)	
	Bank loan				(60,000)	
		-	11 662	\$		
		3=	11,552	5=	(69,474)	
he	e accompanying summary of significant accounting policies and notes are an integral part	t of these fina	ancial statements	8		

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# **Solvency and Liquidity**

- A company is insolvent when it is unable to meet its financial obligations
- In evaluating solvency, the liquidity of the company, or its ability to quickly generate cash to meet current obligations is evaluated
- The balance sheet reflects the immediate cash, and short term liquid investments
- The footnotes should reflect the availability of lines of credit for short term working capital
- The following ratios provide further insight into the company's ability to raise cash
  - Current ratio
  - Working capital
  - Accounts receivable turnover

