

Standard Deviants School The Wild & Wacky World of Finance

Tape One: *The Basics*

Length: 26 minutes, © 2002 Cerebellum Corporation

Audience: 7-12 grades

The Basics covers financial management in the marketplace including types of businesses and their concerns, how stock prices are determined, and the hierarchy of an organization. Types of markets and types of financial statements are discussed.

Standard Deviants School The Wild & Wacky World of Finance: The Basics

- I. Financial Management in the Marketplace
 - A. 3 main types of businesses in the marketplace
 1. Sole proprietorship
 2. Partnership
 3. Corporation
 4. Advantages and disadvantages of each type of business
 - B. 2 main concerns confronting a business owner
 1. Taxes
 2. Personal liability
 - C. Role of the financial manager
 1. Create maximum wealth for stockholders
 - a. Uses Earnings per Share of Stock to gauge this
 2. Does not create risk for company
 3. Monitors cash flows
 - D. How stock prices are determined
 1. Perception of investors
 2. Profit to be gained
 3. Risk involved
 4. Company's level of debt
 5. Amount of dividends paid
 - E. Dividend policy
 1. Dividends
 2. Retained Earnings
 - F. Hierarchy of a corporation
 1. Board of Directors
 2. Chief Executive Officer
 3. Chief Financial Officer
 - a. Treasury
 - b. Comptroller
 4. Vice Presidents
 - G. Agency Problems
 1. Stockholder/Manager Problems
 2. Stockholder/Bondholder Problems

II. Different Types of Markets

- A. Money markets
- B. Capital markets
- C. Primary markets
- D. Secondary markets
- E. Credit markets
- F. Mortgage markets
- G. Financial asset markets (FAM)

III. Financial Statements

- A. T accounts
- B. Assets
- C. Liabilities
- D. Equity or capital
- E. Parts of an Annual Report
 - 1. Corporation's yearly financial information
 - a. Balance sheet
 - b. Officers commentary
 - c. Forecast of future earnings
- F. Balance sheet
 - a. Assets must equal liabilities and equity
 - b. Common stock
 - c. Preferred stock
 - d. Stockholder equity