

Table of Contents

Foreword	V
1. What is financial management?	1
1.1. The system of corporate financial management	1
1.2. Financial management goals	7
1.2.1. Maintenance of liquidity/solvency	7
1.2.2. Value Management	7
1.2.3. Ensuring right decisions	9
1.3. Forms of financing	11
1.3.1. External financing	11
1.3.2. Internal financing	13
2. Internal financing	14
2.1. Forms	14
2.1.1. Financing from depreciation	14
2.1.2. Financing from provisions	16
2.1.3. Self-financing	18
2.1.3.1. Visible self-financing	18
2.1.3.2. Invisible self-financing	19
2.1.3.3. Assessment of self-financing	20
2.1.4. Financing from asset restructuring	20
2.2. Cash flow	21
3. External financing	25
3.1. Equity financing	25
3.1.1. Equity financing without use of the capital market	26
3.1.1.1. Sole proprietorship	26
3.1.1.2. General partnership (OG)	27
3.1.1.3. Limited partnership (KG)	28
3.1.1.4. Cooperative (Gen)	29
3.1.1.5. Limited liability company (GmbH)	30
3.1.1.6. Origin of equity capital providers	32
3.1.2. Equity financing with use of capital markets	35
3.1.2.1. Capital Market	35
3.1.2.2. Stock company (Public limited company, AG)	37
3.1.2.3. Company valuation	44
3.1.2.4. Capital measures	46
3.2. Debt financing	50
3.2.1. Classification of debt financing	51
3.2.1.1. Origin of debt capital	51
3.2.1.2. Creditworthiness and Collateral	51
3.2.1.3. Duration of debt capital	53
3.2.2. Short and medium-term debt financing	53
3.2.2.1. Advance payment	53
3.2.2.2. Supplier credit	53
3.2.2.3. Overdraft facility	54

3.2.2.4.	Lombard loan	54
3.2.2.5.	Bill of exchange	54
3.2.2.6.	One-time cash loan and cash advance	55
3.2.2.7.	Factoring and forfaiting	55
3.2.2.8.	Commercial papers	55
3.2.2.9.	Euronotes	56
3.2.2.10.	Asset-backed financing	56
3.2.2.11.	Export financing/Credit lending	56
3.2.3.	Long-term debt financing	56
3.2.3.1.	Investment loan	56
3.2.3.2.	Leasing	57
3.2.3.3.	Bond	58
3.2.3.4.	Project financing	64
3.3.	Problems of differentiation between equity and debt financing	65
3.4.	Financing in the life cycle of the company	66
3.4.1.	Financing of start-ups	66
3.4.1.1.	Special features of young companies relevant to financing	66
3.4.1.2.	Non-professional investors	67
3.4.1.3.	Professional investors	67
3.4.1.3.1.	Debt capital	67
3.4.1.3.2.	Equity	68
3.4.1.4.	Influence of the public sector	69
3.4.2.	Corporate financing in the growth phase	69
3.4.3.	Corporate financing in case of change of ownership	70
3.4.3.1.	Overview	70
3.4.3.2.	Mergers & acquisitions (M&A)	70
3.4.3.2.1.	Merger	70
3.4.3.2.2.	Acquisition	72
3.4.3.2.3.	Further questions	72
3.4.4.	Restructuring financing	74
3.4.4.1.	Cash inflows	75
3.4.4.2.	Delay or reduction of cash outflows	76
4.	Corporate investment decisions/Capital budgeting	78
4.1.	Concept and types of corporate investment	78
4.2.	Phases of investment decisions	79
4.3.	Capital budgeting methods	80
4.3.1.	Static methods	80
4.3.1.1.	Comparative cost calculation	81
4.3.1.2.	Comparative profit calculation	83
4.3.1.3.	Comparative profitability calculation	85
4.3.1.4.	Static payback period	86
4.3.2.	Dynamic capital budgeting methods	86
4.3.2.1.	Net present value method	88
4.3.2.2.	Internal rate of return	92
4.3.2.3.	Annuity method	94
4.3.2.4.	Dynamic payback period	95
4.3.3.	Special topics in capital budgeting	96

4.3.3.1.	Consideration of project-related debt financing	96
4.3.3.2.	Consideration of cost and income taxes	98
4.3.3.3.	Consideration of intrayear interest	103
5.	Special topics of financial management	105
5.1.	Cash budgeting and working capital management	105
5.1.1.	Cash budgeting	105
5.1.1.1.	Basics	105
5.1.1.2.	Types of cash budgets	106
5.1.1.3.	Consequences of the cash budget	108
5.1.2.	Working capital management	109
5.2.	Risk management	110
5.2.1.	Risk	110
5.2.2.	Financial risk management	110
5.2.3.	Risk management process	111
5.2.4.	Significant risks in financial management	112
5.2.4.1.	Interest rate risks	112
5.2.4.2.	Currency risks	113
5.2.4.3.	Other risks	114
5.3.	Capital structure	114
5.4.	Value management and corporate governance	118
5.4.1.	Value management (value creation concept)	118
5.4.2.	Corporate governance	118
Annex	121
Index	125