# Module: Introduction to Financial Management

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### Topics

This module includes the following five topics:

Topic 1: Finance Discipline

Topic 2: Goals of the Firm and Agency Costs

Topic 3: Corporate Governance and Executive Compensation

Topic 4: Financial Reporting

Topic 5: Personal and Corporate Income Tax

## Topic 1: Finance Discipline

This topic defines financial management, the business function’s place in the organization, and the different professional designations in the field.

### Readings

Introduction, Sections 1.1 and 1.2

### Learning Problems

None

## Topic 2: Goals of the Firm and Agency Costs

This topic discusses why share price and not profit maximization is the appropriate goal of a firm, but how the separation of corporate ownership and management often interferes with achieving this objective.

### Readings

Section 1.3

### Learning Problems

Share Price Maximization

**Answer Keys**

Share Price Maximization

## Topic 3: Corporate Governance and Executive Compensation

This topic examines the different corporate governance and executive compensation practices used to align the interests of executives and corporate directors with those of investors, so they are better motivated to maximize shareholder value.

### Readings

### Sections 1.4 and 1.5

### Learning Problems

None

## Topic 4: Financial Reporting

This topic discusses corporate financial disclosure requirements and their importance in minimizing agency costs.

### Readings

Section 1.6

### Learning Problems

None

## Topic 5: Personal and Corporate Income Tax

This topic investigates different aspects of personal and corporate income taxes that influence business decision making.

### Readings

### Section 1.7

### **Learning Problems**

Average and Marginal Tax Rates

Effective Tax Rates on Capital Gains and Dividends

Capital Cost Allowance at Elmer

Capital Cost Allowance at Cranston

Loss Carrybacks and Carryforwards at Hollinger

Loss Carrybacks and Carryforwards at Amstel

**Answer Keys**

Average and Marginal Tax Rates

Effective Tax Rates on Capital Gains and Dividends

Capital Cost Allowance at Elmer

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## Module Summary

In this module, you learned what financial management entails and how the finance function fits in the organization. You also discovered that share price maximization is the appropriate goal for a firm, but that agency costs often impede its progress. Reducing agency costs through effective corporate governance and executive compensation systems and accurate financial reporting is critical.