

Learning Goal #2: Understanding Financial Principles

Definition: Financial principles underlie all areas of financial thought. Applications can be made in a variety of sub-areas but can be common to all of them. An introduction to each of these principles can be presented in introductory or intermediate corporate finance courses, with upper-level courses focusing on each of the principles or applications. Even if the student has not completed an upper-level elective that focuses on the principle or application, the student should have become at least familiar with the principle at some point in the coursework.

These basic principles include:

- Time value of money
- Stock and bond valuation
- Cost of capital
- Determinants of capital structure
- Dividend policy
- Portfolio theory and risk analysis
- Option pricing
- International Finance

Measurement: Student understanding of these principles was assessed in a comprehensive examination to be administered in Spring term of AY 2008-09 to the students registered in the section of Finance Seminar (Finance 790). This course is typically taken in the last term of a student's program and is a required course for the MS program as well as for students with a Corporate Finance concentration in the MBA program.