

Ec. 134 *Syllabus*

Topics to cover, math. of finance.

1. Depreciation, amortizes. K -recovery from durables.
Primacy of int. - the prior claim. (Int. includes int. on S_1 or rent)
2. Solving for IRR
3. Replacement. a. Simple. (Max PV in perp.)
b. W. obsolescence. 3 ways: a. Max PV
b. Max $G_1 + PV S_m$
c. Mgmt. condition of Max g
4. Appreciation
5. Inflation
6. Recovery, turnover
7. Going concern, normalizing.
8. Falling of disappearing inventory
9. Equity vs. borrowed status
10. Valuation
- ~~11~~ a. Value of land in perp. Capex.
b. PV. formula
- ~~11~~ c. Value of periodic revs.
d. Value of apprec. land. e. Value of decay's CF
12. Use of logs, log scales -- w.r.t. sensitivity

① 13. Compounding is adding. F includes v.a. by int.
 (+ int. on land)
 Disc. is $\therefore$ subtracting. PV is discounted product,
 i.e. product net of int. DCF is net of expenses &
 int.

14. Doubling time.

② 15. PV formulae when $i = 0$
 When $n = 0, 1, + \infty$

16. Sensitivity of PV to n & i
 a. G_1
 b. $L.V.$ in perp.
 c. Rising $L.V.$

③ 17. Give words & e.g.s w. ea. formula.

18. Inputting CF to its elements

Rent

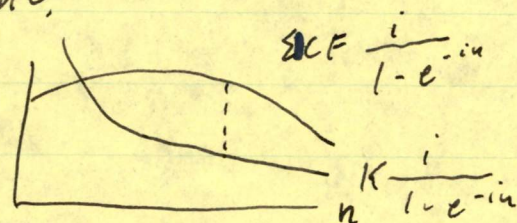
Int.

Cap. recov. (from which ^{some} you ~~may~~ steal ~~some~~
 & call it profit) - but they shouldn't.)
 Importance of this for managerial control.

19. Continuous int.

(3) 20. Gain from spreading K_0 over time, "Time-average".

long life
durability
long prodn. runs.



21. Payback time; cap. recovery:

a. Gross recovery, naive sense

b. Recovery w. int.

i. Full recov.

ii. Mean recov. time

c. Imputation between int. + cap. recovery.

How fixed is i ? also, how fixed is rent?

How more + describe risk -- what is the true residual imputee? Equity is the owner who chooses this role, in personam: but is there any universal, in rem principle?

22. Mises

23. Ripening land

24. K conservation or "payback control" or cash flow control. Marshallian liquid K to meet expenses over time -- including

both steady-state ongoing outlays, and bulges
for K (replacement or expansion).

4

(4) 25. Factor Proport.

26. Tax Planning Goals:

Advance recognition of outlays
Defer " " incomes.

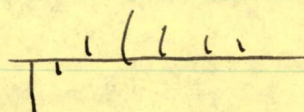
27. Aspects of risk

PV of a 2% probability of flood each yr.

28. Cash flow analysis.

a. In ~~Out~~ → Balance But date also needed. (Receiving + Shipping doors)

b. Table of accts. In; Out; Balance: _____
but that's not enough! 4th col. needed. Date

c. Time graph showing same: 

29. Mgrl. IRR on graph of dim. vcts.
Hurdle rate as constraint.

(3) 30. Cf. PV of office bldg. + citrus grove.

Calendar, Ec. 134

Wk	Day						
1	1	T	1-8		9	16	T 3-5
	2	R	1-10			17	R 3-7
2	3	T	1-15		10	18	T 3-12
	4	R	1-17			19	R 3-14
3	5	T	1-22				
	6	R	1-24				
4	7	T	1-29				
	8	R	1-31				
5	9	T	2-5				
	10	R	2-7				
6	11	T	2-12				
	12	R	2-14				
7	13	T	<hr/>				
	13	R	2-25				
8	14	T	2-26				
	15	R	2-28				

By Maben, Ec. 134

Class #

1. Ch 1 Overview
Ch. 2 The fincl. system.
Reveals Pincher's orientation.
Needs very re-orientation.

2, 3 Ch. 3 Fincl. ~~system~~ Analysis
Ratio Analysis.

4 Ch. 4 Cash Flow

5. Handout Math Review

5, 6, 7, 8 Ch. 5 Time Value

M.G. notes

8, 9, 10 Ch. 6 Risk Valuation. ^{collateral and} Banking Vulnerability
Bubcock

10, 11 Ch. 7 YTM

12 — Midt.

14, 15 Ch. 8 Working Cap. Pol. Matching. "Meeting Payroll"

Excerpts from Queney, Smith, Ricardo, Mill, Jones, B-B, Wicksell, et al.

15 Ch. 9 - 11 ^{short} term assets, liab. + finc

16 - 18 Ch. 12 Cap. budg.

M.G. notes on payback

19 - 21 Ch. 6 Risk

Ch. 13

James

Class #

22

Mid

23

Ch. 14

MC of Cpl.

24

Ch. 22 (week)

Fuel. Phys.

⁵
27-28

~~At~~

Rep Movement Timing

Burley & Teagarden

App. to RFF paper

RMS

29

Review