



Foundations of Airline Finance

Methodology and Practice

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Foundations of Airline Finance: Methodology and Practice is a textbook that comprehensively covers, at a basic level, all aspects of the subject, bringing together many of the numerous and informative articles and institutional developments that have characterized the field of airline finance in the previous two decades.

In the early chapters, the reader is introduced to the elementary theoretical foundations that underpin the role of finance in the airline industry. Critical topics, such as the time value of money, the notion of risk and return, and the complex nature of costs (fixed, semi-fixed, variable, and marginal) are discussed and illustrated with concrete examples. This is followed by an in-depth presentation of the role of accounting in airlines. Ratio analysis is used to further analyze airline financial statements. Airline industry specific metrics, such as cost per available seat mile (CASM) and revenue per revenue passenger mile (RRPM), are covered.

The role of capital and asset management is then explained in the following chapters. The final chapters of the text present some important practical applications of the theoretical ideas presented earlier; these applications include hedging, the buy versus lease decision for aircraft and the question of the valuation of assets (mainly aircraft). Moreover, specific methods for actually calculating internal valuation are presented and evaluated.

Foundations of Airline Finance: Methodology and Practice will be of greatest value to students who are contemplating entering financial management in the air transportation industry; however, the text will also serve as an accessible and comprehensive reference for industry professionals.

Contents

Preface; Part I Theoretical Aspects of Airline Finance: The role of finance in the airline industry; Airline cost classifications; Time value of money; Risk and return. Part II Airline Accounting and Finance: The role of accounting in airlines; Airline financial statements; Financial statement analysis. Part III Airline Capital Budgeting: Airline capital budgeting; Airline capital structure and cost of capital; Working capital and current asset management. Part 4 Practical Applications of Airline Finance: Fuel hedging and risk management; Buy versus lease decision-making; Aviation industry valuation; Appendixes; Index.

About the Author

Dr. Bijan Vasigh is Professor of Economics and Finance in the College of Business at Embry-Riddle Aeronautical University, Daytona Beach, Florida and Managing Director of the Aviation Consulting Group, LLC. Dr. Vasigh is a member of the editorial board of the Journal of Air Transport Management and the Journal of Air Transportation World Wide. He worked on a NASA Research Grant for "Determination of Statewide Economic Benefits of the Small Aircraft Transportation System (SATS)." He is also a member of the Air Transport Research Society (ATRS) Global Airport Benchmarking Task Force.

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