**IQRA NATIONAL UNIVERSITY**

**PESHAWAR**

**DEPT. OF BUSINESS ADMINISTRATION**

**BUSINESS FINANCE PAPER**

**Q.1. Discuss in details the three important decisions a finance manger is required to take.**

**A:** A finance manager have 3 most important responsibilities which he has to do. Those responsibilities are;

1. A finance manager has a responsibility to look out for where he has to invest the money in. he has to forecast the possibilities of if the projects will do profit or loss. If its making profit then how much? And if it is going in loss then at what percentage?
2. He has to see where he would take the money from if he is investing it in any business.
3. A finance manager has to see how much profit he should be giving to the stakeholders of the company.

**Q.2. A. Elaborate the shortcomings of earnings as organizations’ objectives. If not the earnings than what alternative objective is being proposed?**

A business always has some purpose and no doubt the most important purpose of business is achieving profitability and growth.

***Shortcoming of earning as an organization`s objective:-***

We normally setup business to achieve profits for its owner or shareholders. But, does it mean that business should somehow, by hook or crook, earn the profit? Our answer is no; it should earn profit by working under rules and regulations or by following ethical practices.

1. ***Customer Satisfaction:***

The client is top priority and delivering satisfaction is a main objective of business finance. Take the customers survey and make an objective to always look for an improvement approaches. Happy customers leave reviews that are positive, spread word that is positive of and are far more likely to repeat business.

1. ***Social Objectives:***

Social objectives refer to the objectives, which are desired to be achieved for the benefit of the society. Business makes use of scarce resources of the society. So, society expects something in return for its welfare. Social objective deals with fulfilling obligations towards the society.

1. ***Community Service:***

Many business organizations engage in various community services, like setting up schools, charitable dispensaries, donating money for social and religious activities, etc. Fulfillment of this objective helps to improve the reputation and public image of business.

1. ***Protection of Environment:***

Business enterprise should take all reasonable steps to check and protect environment. It must make proper arrangement for disposal of effluents, smoke, wastes, etc. in order to avoid various types of pollution.

1. ***Welfare of Employees:***

No business can succeed without the contribution of its employees. Thus, business should aim to provide fair wages and reasonable working and living conditions to workers.

1. ***Employee Benefits:***

Performance and production are very important, at the same time employee health is really a major objective of business finance. Fair compensation and benefits are objectives every continuing business should make an effort to meet. Happy employees and healthy employees are more productive.

**Q2 B. Which one in your opinion can be the most viable one and why?**

**A:** All of the points mentioned above are viable, however, in my view social responsibility should be the most requisite objective for every organization because:

* Being a socially responsible company can strengthen a company's image and build its brand.
* Social responsibility empowers employees to leverage the corporate resources at their disposal to do well.
* Formal corporate social responsibility programs can boost employee morale and lead to greater productivity in the workforce.

**Q.3. A. Differentiate between:**

**1. The Money and capital markets.**

**A:** The money market and capital market , they both are kinds of financial markets. Money markets are used for either lending or borrowing money in the short term which is less than one year while capital markets are used in long term assets whose maturity is more than one year. Money markets include short term instruments like promissory notes, bills of exchange T- bills whereas capital markets deal in long term instruments like bonds, debentures. Money market contain commercial banks, financial banks as compared to capital markets which are involves in stockbrokers, stock exchanges etc. The money market is informal in nature and capital markets are formal in nature. The other differences between these two markets are related to their liquidity like money market is highly liquid in nature whereas capital markets are less liquid. There is low risk involved in money market and high risk involved in capital market. The return on investment in money market is low as compared to capital a market which provides high return on investment.

**2. The primary and secondary markets.**

**A:** In primary markets the assets or securities are created as compared to capital in which these securities are traded by stakeholders/ investors. In primary market the firm sell stocks to the public initially which is called as initial public offering, while a secondary market is a formal standardized market in which shares are traded like stock exchanges. In stock markets selling or buying of shares took place in standardized form.

**2B**. The real owners of a company are considered to be the common shareholders. Give at least two reasons as why the preferred shareholders are not the real owners?

**A:** The common shareholders are considered as real owners of the firms. There are multiple reasons which makes common shareholder as real owner. Preferred shareholders are also owners of the firms and their claim comes first before common shareholders but still there are not real owners because of two reasons. The first reason is that preferred shareholders do not have voting rights, there are not able to elect board of directors and secondly, they have fix claim as compared to common shareholders which get all funds left within the firm and have claim on profit of the firm in the form of dividend.

**SUBMITTED TO: Dr. Abid Usman**

**SUBMITTED BY: Mian Asfandyar Sohail**

**ID: 15469**

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