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Ans 1: Functions of Financial Manager:

* financial Manger is the exectutive who manges the financial matters of a business.

→ The functions of financial Mangger are discussed below :-

#1st. Estimating the amount of Capital Required :-

→ This is the formost function of the financial mangger. Business firms require capital for :-

(a), Purchase of fixed assets.

(b): Meeting working capital requirements and (c): Modernisation and expansion of business.

The financial managger makes estimates of funds required for both Short-term and Long-term.

2nd: Determining Capital Structure:-

→ Once the requirement of capital funds has been determind, a decision — regarding the kind and proportion of various sources of funds has to be taken. For this financial managger has

determine the proper mix of equity and debt and Short - term and long-term debt ratio. This is done to achive minimum cost of capital and maximam Shareholders wealth.

"3rd" : Choice of Sources of Funds:-

⇒ Before the actual procurement of funds the finance manager has to decide the sources from which the funds are to be raised. The management can raise finance from various sources like equity shareholders, Preference shareholders, debenture - Shareholders, banks and

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other financial institutions, public deposites and etc ---.

4th. Procurement of Funds :-

⇒ The financial manager takes steps to procure the funds required for the business.
It might require negotition with creditors and financial institution, issue of prospectus etc ---.

5th. Utilisation of Funds :-

⇒ The funds procured by the financial manager are to be prudently invested in various assets so as maximise the return on invesment.

6th. Disposal of profits or Surplus :-

⇒ The financial has to decide how much to retain for ploughing back and how much to distribute as dividend to shareholders out of the profits of company

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#7th. Mangagement of Cash :-

⇒ Mangagement of cash and other current assets is any important task of financial manger.

It involves forecasting the cash inflows and outflows to ensure that there is neither shortage nor surplus of cash with the firm.

#8th. Financial Contrul :-

⇒ Evaluation of financial performance is also an important function of financial manger. The overall measure of evaluation is return on investment (ROI).

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Ans 2nd c: Forms of business Organization

There are 4 main forms of business organization
(a) Sole proprietorship (b) Partnership
(c) Corporation and (d) Limited Liability Company.

(a) Sole proprietorship:- The simplest and most common form of business ownership. It is a type of business owned and run by someone (Single person) for its own benefit. The business existance is entirely dependent on its owner decision.

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Advantages of Sole proprietorship

(a) All profits are subject to the owner.
(b) Very little Regulation for proprietorship
(c) Owers have total flexibility when running business
(d) Very few Requirements for starting business often only a license
(e) No corporation income taxes.

Disadvantages.

(a) All risk are subject to the owner
(b) Limited funds
(c) Limited skills
(d) ~~Unltd~~ Unlimited Liability
(e) It may be difficult for an individual to raise Capital.

(2nd) **Partnership:-**

A ~~B~~ partnership consists of two or more individuals in business together.

There are different types of partnership.

(a) General partnership (b) limited partnership
(c) limited liability partnership

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Ans 2nd c

In General Partnership both partners invest their money, property, labor etc and both are 100% liable for business debt and doesn't need a formal Aggrement. It can be verbal While Limited partnership require a formal aggrement b/w the partners and must file a certificate of partnership. They have limited Liability for business debt according to their ~~prop~~ portion in business.

Advantages of Partnership:

- No Corporate Income tax
- Easy to establish and
- Easy to maintine because they don't require annual or minute meetings
- Shared knowledg & Experience
- Can be used by professionals

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Disadvantages of Partnership.

- Possibility for disagreements
- Difficulty in transfering ownership
- Full liability for business related debts
- If a partner is created without agreement, partnership is poorly drafted
-

Corporation

It's a business organization that acts as a unique and seperate entity from its shareholders. Corporation pays its own taxes before distributing profits or dividends to shareholders Main types are C corporation, S corporation and LLC.

Advantages:

- Owner's are not responsible for business debts. They have limited Liability
- Tax exemptions
- Quick Capital through stocks
- Corporation have unlimited life span
- Owners are protected from personal Liability
- Corporations have Several Options for raising funds
- Corporations are the prefered business for public Companies

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Ans 2nd c

Disadvantages of Corporation:

- Corporations are subject to double taxation.
- Setting up and managing a corporation is more difficult and expensive.
- The periodic filings and annual fees for corporation can be burdensome and costly for some businesses.
- Much less flexibility because of regulations governing corporations.

(4) Limited Liability Companies:-

An LLC is a legal business entity that is seperate and apart from its owners (Members). LLC combine some of best advantages of partnership with some advantages of Corporation.

Advantages

(a) LLC may choose to be taxed as a proprietorship or partnership.

(b) Owners have limited liability.

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advantages of LLC

(c) LLC are relatively easy to set up through the state's Secretary of State's office.
(d) LLC offer a great deal of flexibility
(e) LLC can be converted into corporation
(f) You can create a single-member LLC or multiple members LLC.

Disadvantages

(a) Typicaly not suitable for companies that want to seek venture capital or pursue an initial public offering in the future
(b) Some professional groups may not be permitted to operate an LLC
(c) Transferring an interest or accepting new members can be difficult
(d) Members may be held liable for company obligations in some cases

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Ans 3rd:

Time Value of Money :-

⇒ The time value of money (TVM) is the concep that money you have now is worth more than the identical sum in the future due to its potential earning capicity.

This core principle of finance holds that provided money can earn interest. any amount of money is worth more the sooner it is received. TVM, is also sometimes referred to as present discounted value.

KEY TAKEWAYS :-

- Time value of money is based on the idea that people would rather have money today than in the future.

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Ans 3)

P#3rd

2. Future value (FV). This is you ending amount at a point in time in the future. it should be worth more than the present value, provided it is earning interest and growing over time.

3. The number of periods (N). This is the timeline for your investment (or debts). it is usually measured in years. but it could be any scale of time of time such as quarterly. monthly. or even daily.

4. Interest rate (I). This is the growth rat of your money over the lifetime of the investment. it is stated in a percentage value such as 8% or .08.

5. Payment amount (PMT). These are a series of equal. evenly-spaced cash flows.

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Ans : 3rd :-

- Give that money can earn compound interest. it is more valuable in the present rather than → (than) the future.

- The formula for computing time value of money considers the payment now, the future value, the interest rate and time frame.

- The number of compounding periods during each time fram is an important determinate in the time value of money formula as well.

There are five (5) variables that you ~~know~~ need to know.

1 Present value (PV) This is your current starting amount. it is money you have in your hand at the present time, your initial investment for your future.

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Ans 3rd c

Formulas }

(1) Future value of a present sum

$$FV = PV.(1+i)^n$$

(2) Present value of a future Sum

$$PV = \frac{FV}{(1+i)^n}$$

(3) ⇒ The cumulative present value of future cash flows can be calculated by summing the contribution of FV.

$$PV = \sum_{t=1}^{n} \frac{FV}{(1+i)^t}$$

(3rd) :- Present value of an annuity for n payment periods :-

⇒ In this case the cash flow values remain the same througout the n periods. The present value of an annuity (PVA) formula has four (4) variables, each of which can be solved for by numerical methods.

$$PV(A) = \frac{A}{i}\left[1 - \frac{1}{(1+i)^n}\right]$$

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Ans 3rd c

(4) : Present value of a growing annuity :-

- Where $i \neq g$:-

$$PV(A) = \frac{A}{(i-g)}\left[1-\left(\frac{1+g}{1+i}\right)^n\right]$$

- where $i = g$:-

$$PV(A) = \frac{A \times n}{1+i}$$

(5): Present Value of a Perpetuity :-

$$PV(P) = \frac{A}{i}$$

(6): Present Value of a growing perpetuity:-

$$PV(A) = \frac{A}{i-g}$$

(7): future value of an annuity :-

$$FV(A) = A \cdot \frac{(1+i)^n - 1}{i}$$

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(Ans # 3rd) "Page # 6th"

(8th) . Future Value of a growing annuity :-

- Where $i \neq g$:-

$$FV(A) = A \cdot \frac{(1+i)^n - (1+g)^n}{i-g}$$

- Where $i = g$:-

$$FV(A) = A \cdot n (1+i)^{n-1}$$

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Ans 4th: Financial Statement Analysis

FSA is the process of reviewing or analyzing a company's financial statements for decision-making process. External stakeholders use it to understand the overall health of an organization as well as to evaluate financial performance and business value. Internal constituents use it as a monitoring tool for managing the finances.

Financial Statement:-

The Financial Statement of a company record important financial data on every aspect of a business's activities.

It includes:

(a) Income Statement (b) Balance Sheet statement
(c) Cash flow statement (d) Equity statement.

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Ans 4 c

Financial statement analysis is a method or process involving specific techniques for evaluating risk, performance, financial health and future prospects of an organization.

Common methods of financial statement analysis include:

~~(a) Fundamental analysis~~

a. Dupont analysis

b. Horizontal & Vertical Analysis

c. The use financial Ratios.

(a) Horizontal & Vertical Analysis:-

Horizontal analysis compares financial information over time, typically from past quarters or years.

Vertical analysis is a percentage analysis of financial statement.

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Ans 4

b) Financial Ratio Analysis:

Financial Ratios are very powerfull tools to perform some quick analysis of financial statements. It includes 4 main categories:

(a) Liquidity Ratio:- are used to determine how quickly a company can turn its assets into cash if it experiences financial difficulties or bankruptcy.

a, Current Ratio: describe to pay off Current Liabilities. CR = Current Assets / Current Liabilities

b, Quick Ratio: Subtracts inventory from Current Assets Q.R = Liquidity Assets / Current Liabilities

b) Profitability Ratio:- are ratios that demonstrate how profitable a company is. It includes the

(i) breakeven point ratio: calculates how much cash a company must generate to break even with start up Costs.

(ii) The gross profit Ratio: is equal to gross profit / Revenue.

gross Profit Ratio: Gross Profit / Net Sales X 100

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Ans 4 c Profitability Ratio

(b) Profitability in relation to investment

$$\frac{\text{Net profit after taxes}}{\text{Total assets}}$$

(c) Return of Equity: It indicates whether assets are being used to create profit

$$\frac{\text{Net profit after taxes}}{\text{Shareholder's Equity}}$$

(d) Return of assets:

Describes the return that assets are creating for a company.

Coverage Ratios are designed to relate the financial charges of a firm to its ability to service or cover them

$$\text{Coverage Ratio} = \frac{\text{Earning befor Interest \& Taxes (EBIT)}}{\text{Interest Expense}}$$

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Ans 4th c

(c) Activity Ratios:- are meant to show how well management is managing the Companies's resources. Two common Activity Ratios are:-
(i) Account Payable turnover (ii) Account Receivable turnover
These ratios demonstrates how long it takes for a company to pay off its account payable and receive payments.

(i) A/R Activity Ratio = Annual net Credit Sales / Receivables

Receivable turnover = $\frac{\text{Days in the Year}}{\text{Receivable turnover}}$

(ii) A/P Activity Ratio: $\frac{\text{Days in Year}}{\text{Payable turnover}}$ / inventory Activity = $\frac{\text{CGS}}{\text{inventory}}$

(d) Leverage Ratios:- depict how much a company relies upon its debts to fund operations. Very Common type is debt-equity Ratio that shows the extent to which management is willing to use debt in order to fund operations.

(a) Debt-equity Ratio: The amount of equity that can cover debts.

Debt-equity-Ratio = $\frac{\text{Total Debt}}{\text{Share holder's Equity}}$

(b) Debt to total Asset Ratio: indicates assets that are funded by debt.

Debt = $\frac{\text{Total Debt}}{\text{total Assets}}$

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Ans: 4th

(C) Dupont Analysis:-

uses several financial Ratios that multiplies together equal return on equity a measure of much income the firm ~~earns~~ earns divided by the amount of funds invested.

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Ans 4th

Financial Statements

(a) Income Statements:- The income statement provides an overview of revenues, expenses, net income & EPS

Net income = Revenue - Expenses

(b) Balance Sheet:- provides an overview of a Company's assets, Liabilities and Shareholder's equity

Balance Sheet Formula

Assets = Liabilities + Owner's Equity

(c) Cash flow Statement:- measures how well a Company generates cash to pay its debts obligations, fund its operating expenses and fund investments. It Complements the balance sheet and income Statement

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