Financial Management:

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and consumption of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Basic legal type's f Business:

The basic legal forms of business are

- **Sole proprietorship**
- **Partnership**
- **Corporation**
- **Public limited companies**

Sole proprietorship:

In sole proprietorship the business is owned by single owner and having unlimited liability.

He is responsible for all the profit and loss of business. If the business goes is loss the owner will fulfill the liability amount either by selling his personal assets**.**

For example

An individual running a furniture workshop he will be the sole responsible for all the loss or profit of business.

Partnership:

In partnership two more than two people started a business and all the partners are responsible for the business transactions.

The partnership have unlimited liability and If the business goes is loss the partners will anyhow fulfill the liability amount.

Corporation:

In corporation the profits generated by a corporation are taxed as the “personal income” of the company. Then, any income distributed to the shareholders as dividends or profits are taxed again as the personal income of the owners.

Limited liability Company:

LLC provides owners with limited liability while providing some of the income advantages of a partnership.

It limits the liability of company owners personal assets will not be use inn case of loss.

Question No: 02

Compounding:

Compounding as method that is use to know the future value of present amount.

Discounting:

In Discounting we know the present value of amount and amount to be received in future.

Difference between Compounding and Discounting

Both techniques (Discounting and compounding) use to determine the value of value of amount at specific time period.

Compounding is used to calculate the future amount of investment with given interest rate.

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

For Example

If I am making an investment of 20 million today.

By compounding I will know how much amount I will get after 5 years by given interest rate.

While Discounting is use to determine the present of or the amount that we will get in future.

$D_n = 1/(1+r)^n$

For Example

If I am making an investment of 20 million today and getting return of 21 m after 5 years discounting is use to find out what is the present value of that 21m either this investment is feasible or not.

Question NO.03

Present value = 100

Interest rate = 8 % = 8/100= 0.08

Future value =?

T= 7 years

$FV = I.(1+r)^T$

FV = 100 (1+0.08)7

Fv = 100 (1.714)

Fv = 171.4

Question No.03

(B)

Present value = 100

Discount rate =10% =10/100 =0.1

n= 6

FV=?

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

$FV= 100\ (1+0.1)^6$

FV = 100(1.77)

FV=177.16

Question No .04

Risk:

Risk is the degree of uncertainty.

It may be negative or positive. Commonly, as investment risks occur, investors strive for higher returns to pay off themselves for taking such risks.

Return on investment (ROI) is the ratio of a profit or loss made in a fiscal year expressed in terms of an investment. It is expressed in terms of a percentage of increase or decrease in the value of the investment during the year in question. For example, if you invested $100 in a share of stock and its value rises to $110 by the end of the fiscal year, the return on the investment is a healthy 10%, assuming no dividends were paid.

The basic ROI formula is: Net Profit / Total Investment * 100 = ROI. Let's apply the formula with the help of an example.

You are a house flipper. You purchased a house at the courthouse auction for $75,000 and spent $35,000 in renovations. After sales, expenses, and commission, you netted $160,000 on the sale of the renovated house. What is the ROI?

Your net profit is going to be what you netted ($160,000) minus what you spent ($75,000 + $35,000), so it is $50,000. Your total investment is also what you spent ($75,000 + $35,000), which is $110,000.

ROI = Net Profit / Total Investment * 100

ROI = 50,000 / 110,000 * 100

ROI = .45 * 100

ROI = 45%

If only house flipping was that easy. Keep in mind that you can certainly lose money on an investment. If there is a loss, the formula will yield a negative number. Here's a simple example:

ROI = -1,000 / 5,000 * 100

ROI = -0.2 * 100

Systematic and nonsystematic risk

While systematic risk can be supposed of as the probability of a loss that is linked with the whole market or a segment thereof, unsystematic risk refers to the probability of a loss within a definite business or security.

Examples:

The example of systematic risk is lockdowns that may affect all industries and unsystematic risk is loss in specific segment like securities.

Question No .04

(B)

FV = 21500 , 800

PV= 20000

N = 1

i = ?

$Fv= PV (1+i)^n$

$21500+800=20000(1+i)^1$

22300/20000 =1+i

1.115 = 1+i

i = 0.15