**ID 13767**

**SUBJECT BUSINESS FINANCE**

**SESSION SUMMER**

**SUBMITED BY ABID ULLAH**

**SUBMITED TO SIR, ABID USMAN**

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**Q1. Discuss in details the financing and asset management decisions a finance manager is required to take.**

**ANS.** There are four main financial management decisions which are follow:

1. Capital budgeting
2. Capital structure
3. Dividend decision
4. Working capital management decision

* Capital budgeting decision

The process in which the manager planning and managing the long term investments of the organization is called capital budgeting. The financial manager try to identify profitable investment opportunities for the organization.

* Capital structure decision

The capital structure of organization is concerned with obtaining funds which is meet from the long term investment requirements of the firm. The financial manager has to decided that how much funds are raise, from which source are raise the fund and when it raise.

* Dividend decision

In dividend decision the financial manager has to decide that how much percentage of after tax is to be retained in the business for the future investment and how much proportion has to be distributed as dividend among shareholders.

* Working capital decision

It is the process in which the manager manage the short term or current assets, such as inventory, cash, receivables and short term or current liabilities such as creditors, bill payable of the organization.

Assets management decision

Assets management decision is the strategic manipulating of assets information to determine the optimal mix of financial and non-financial strategies to enable the assets portfolio to deliver the asset management objective of the firms.

Assets management are made at all levels of the organization. Top manager is responsible for the strategic decision, middle manager is responsible for tactical decision, and frontline manager is for operational management.

**Q2 (a). Elaborate the shortcomings of “earnings as organizations’ objectives”.**

**ANS. Shortcoming of “earning as organization’ objective”.**

* The earning as organization can only succeed if it has the complete support of the top management.
* Organization objective may be resented by subordinates. The manager maybe under pressure to take the decision when sitting goals and objectives of the organization for more profit.
* In organization the paperwork involved and it take too much time of managers. Too many meeting and too much reports add to the manager responsibility and it burden on manager.
* In organization the manager need to emphasis short term goals. It is difficult to do long term planning because the constantly changing socio-economic and technological environment which effect the stability of goals.
* In the organization most managers may not be sufficiently skilled in the interpersonal interaction, such as coaching and counseling which is mostly required for organization.

**(b). Discuss why the share market price is a preferred objective of a company**

**ANS. Share market**

The aggregation of buyers and sellers of stock or share which present ownership claims on the business is called share market.

Most of the company preferred objective of share market/stock market price because share market is one of the most important way for the companies to get more money, along with debt market. This allow the companies to traded publicly, and raise addition financial capital for the expansion by selling share of the company in a public market. This capital is then use by the companies for the development and growth of their business.

**Q3 (a). What is the purpose of financial markets**?

ANS. Financial market

Financial markets are the market place where the trading of securities occurs including the stock market, bond market, forex market among each other.

Purpose of financial market

Financial market allows companies to raise their capital, either by issuing bonds or share.

Financial market allow companies for the business growth and their project, by having access to long term finance rather than short term finance, such as bank loans.

Financial market offer the opportunity to invest capital in exchange for dividend and the prospect of add value if their assets appreciate.

In short financial market the companies to contact with player who have funds to invest.

**Q3 (b). Which category of the shareholders is the real owners of a company and give at least two reasons as why they are the real owners?**

**ANS.** The equity shareholders are the real owners of the company. The have rights in the company. The have rights to participate in the management of the company.

Reason

* The equity shareholders accept all the business risk in real sense, they are the real owners of the company.
* The control of the company is vested in equity shareholders, because they have exclusive voting rights.

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