

1 Lecture - MGT201

Important Subjective

- 1. What is financial management? Explain its importance in an organization.**
Answer: Financial management is the process of managing an organization's financial resources, including planning, organizing, directing, and controlling financial activities. It is important in an organization as it helps in making financial decisions that are critical to its success.
- 2. What is the difference between financial management and accounting?**
Answer: Accounting is the process of recording, classifying, and summarizing financial transactions, while financial management is concerned with planning and controlling an organization's financial resources.
- 3. Explain the concept of time value of money.**
Answer: Time value of money refers to the idea that money received today is worth more than the same amount of money received in the future due to its potential earning capacity over time.
- 4. What are the three main financial statements, and what information do they provide?**
Answer: The three main financial statements are the balance sheet, income statement, and cash flow statement. The balance sheet provides information on an organization's assets, liabilities, and equity. The income statement provides information on revenue, expenses, and profit or loss. The cash flow statement provides information on an organization's cash inflows and outflows.
- 5. What is working capital, and why is it important?**
Answer: Working capital is the difference between an organization's current assets and current liabilities. It is important as it represents the funds that an organization can use to meet its short-term financial obligations and to support its daily operations.
- 6. Explain the concept of financial leverage.**
Answer: Financial leverage refers to the use of debt to finance an organization's operations or investments. It can increase an organization's potential returns but also increases its financial risk.
- 7. What is the role of a financial manager in an organization?**
Answer: The role of a financial manager in an organization is to manage the organization's financial resources, including planning, organizing, directing, and controlling financial activities.
- 8. What is the difference between financial planning and budgeting?**
Answer: Financial planning involves developing long-term financial goals and strategies, while budgeting involves allocating financial resources to specific activities or projects within a given time frame.
- 9. What is capital budgeting, and what are some methods used to evaluate investment opportunities?**
Answer: Capital budgeting is the process of evaluating investment opportunities and deciding which projects to pursue. Some methods used to evaluate investment opportunities include the

payback period, net present value, and internal rate of return.

10. **What are some financial ratios used to analyze an organization's financial performance?**
Answer: Some financial ratios used to analyze an organization's financial performance include the current ratio, quick ratio, debt-to-equity ratio, return on equity, and earnings per share.