2 Lecture - MGT201

Important Subjective

1. What is the primary objective of financial management?

Answer: The primary objective of financial management is to maximize shareholder wealth and ensure long-term financial viability.

2. What are financial assets?

Answer: Financial assets are instruments that represent ownership or debt in an entity, such as stocks, bonds, and real estate.

3. What are the different types of financial assets?

Answer: The different types of financial assets include stocks, bonds, derivatives, and real estate.

4. What is a financial market?

Answer: A financial market is a platform where buyers and sellers trade financial assets, such as stock exchanges and bond markets.

5. What factors affect financial asset prices in financial markets?

Answer: Economic conditions, political instability, interest rates, and company performance are some of the factors that affect financial asset prices in financial markets.

6. What is the difference between stocks and bonds?

Answer: Stocks represent ownership in a company, while bonds represent a debt owed by a company or government entity.

7. What are the characteristics of financial assets?

Answer: Financial assets have a high degree of liquidity, are easily transferable, have the potential for high returns, and are subject to varying degrees of risk.

8. What are the functions of financial markets?

Answer: Financial markets provide a platform for companies to raise capital, facilitate the buying and selling of financial assets, and provide a means for investors to diversify their portfolios.

9. Why is understanding financial markets important for effective financial management? Answer: Understanding financial markets is important for effective financial management as it enables informed investment decisions that align with business objectives and risk tolerance.

10. What are the risks associated with investing in financial assets?

Answer: The risks associated with investing in financial assets include market risk, credit risk, liquidity risk, and inflation risk.