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.