45 Lecture - MGT201

Important Subjective

1. **What is the difference between capital budgeting and working capital management?**
Answer: Capital budgeting is the process of identifying investment opportunities that will generate long-term returns, while working capital management involves managing a company's day-to-day cash flows and short-term assets and liabilities.

2. **Why is the time value of money important in financial management?**
Answer: The time value of money is important because it recognizes that money has a different value over time due to factors such as inflation and the opportunity cost of investing that money elsewhere.

3. **What is financial statement analysis, and why is it important?**
Answer: Financial statement analysis involves examining a company's financial statements to evaluate its financial performance and make investment decisions. It is important because it provides insight into a company's profitability, liquidity, and solvency.

4. **What are the advantages and disadvantages of debt financing?**
Answer: The advantages of debt financing include lower cost of capital and tax benefits, while the disadvantages include increased financial risk and the potential for default.

5. **What are the sources of long-term financing for a company?**
Answer: Sources of long-term financing for a company include bonds, preferred stock, and common stock.

6. **What is the optimal capital structure for a company?**
Answer: The optimal capital structure for a company is the mix of debt and equity financing that maximizes shareholder value while balancing the risks and benefits of each type of financing.

7. **What are the ethical considerations in financial management?**
Answer: Ethical considerations in financial management include accurate and transparent financial reporting, avoiding conflicts of interest, and treating stakeholders fairly.

8. **How can a company manage its working capital effectively?**
Answer: A company can manage its working capital effectively by managing its cash flows, inventory, accounts receivable, and accounts payable.

9. **What are the different methods of capital budgeting, and how do they differ?**
Answer: The different methods of capital budgeting include net present value (NPV), internal rate of return (IRR), payback period, and profitability index. They differ in the way they calculate the expected returns and risks of different investment opportunities.

10. **What is the role of technology in financial management?**
Answer: Technology plays a critical role in financial management by providing tools for financial analysis, forecasting, and reporting, as well as facilitating electronic transactions and communication with stakeholders.