Basis of distinction	Preference share	Equity share
Voting rights	The holder of these shares do not enjoy any voting right except at their class meeting.	Generally equility share holders enjoy voting rights
Payment of dividend.	The holder of these shares have the preference right as to the pay-ment of diwidend.	Equity share hold-ers get the divident after the payment to preference share holders.
Repayment of Capital	The holders of these share have the preference right as to the repayment of preferencl share capital	Repayment of equity share capital is made after making repaym-ent to profaner share holder.
Rate of dividend.	The rate of divident is fixed.	The rate of dividend may vary year to year.
Convertibi-lity.	Preference share can be Converted into equity Share	The equity share are non convertible.

Advantage and disadvantage of preference share

1. Appeal to cautions investors.
2. No obligation for dividend.
3. No interference.
4. Trading Equity.
5. No charge on assets.
6. Flexibility.
7. Variety.

Disadvantage

1. Fixed obligation
2. Limited appeal
3. Low return
4. No voting right.
5. Fear of Redemption

Meaning of Finance

Finance is broad term that describes activities associated with banking leverage or debt, credit, capital market, Money and Investment.

Finance also encompasses the oversight, creation and study of money, banking, credit, Investments, assets and liabilities that make up financial system.

Ans.

Objective of financial

1. To ensure regual and adequate supply of funds to the concern.
2. Investment Decission.
3. Financing decission.
4. Dividend decission.
5. Liquidity decission.

6. Pay back period

Pay back period in capital budgeting refers to the time required to recoup the funds expended in an investment or to reach the break-even point.

Investors and money manager can use the pay back period to make quick judgement about their investements.

Net Present Value (NPV)

NPV is used in capital budgetting to analyze the profitability of a project or investment.

It can be calculated by taking the different b/w the Present value of cash inflows and present value of cash outflows over a period of time.

Formula for NPV

$$NPV = (\text{Cash flows}) / (1+r)^i$$

i - initial Investment

Cash flows = Cash flows in the time period.

r = Discount rate

i = time period.