

Ques. 2

What do you understand by finance, explain its various objectives? What is payback period & Net present value method (NPV)?

Ans

Finance is a term of matters regarding the mgt., creation, & study of money and investment. Specifically, it deals with the questions of how and why the individual, company or govt. acquires the money needed - called capital in the company context.

Objectives of business finance are:-

- 1 Revenue generation
- 2 Profit Margin
- 3 Managing operational activities
- 4 productivity & efficiency.
- 5 Sustainability
- 6 Customer Satisfaction
- 7 Return on capital investment
- 8 Employee benefits.
- 9 Emergency / contingency plans.
- 10 Leadership and management.

Page: _____

Date: / / _____

- 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.
- In finance, the net present value (NPV) or net present worth (NPW) applies to a series of cash flows occurring at different times. The present value of a cash flow depends on the interval of time b/w now and the cash flow.