Ques.2 Explain the NPV and IRR. What is corporate financial management. What is the time value of money?

Ans

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

- The internal rate of return (IRR) is a measure of an investment's expected future rate of return. As the

IRR is an estimate of a future annual rate of return. IRR should not be confused with the actual achievement investment ~~rof~~ return of an historical investment. The term internal refers to the fact that the calculation excludes external factors, such as the risk free rate, inflation, the cost of capital, or various financial risks.

<u>Corporate financial management</u>

Corporate finance is the area of finance that deals with sources of funding, the capital structure of corporations, the actions that managers take to increase the value of the firm to the shareholders, and the tools and analysis used to allocate financial resources.

* **Time value of money (TVM)-**

The time value of money (TVM) is the concept that money you have now is worth more than the identical sum in the future due to his potential earning capacity. This core principle of finance holds that provided money can earn interest, any amount of money is worth more the sooner it is received.