

ACC501 - Business Finance FAQs For Final Term Exam Preparation By Virtualians Social Network

FAQs

Question: What kind of roles Treasure and Controller play under Chief Financial Officer (CFO)?

Answer: A treasurer plays role of a financial manager whereas a controller plays role of an accountant.

Question: Is Finance important for other areas of the firm?

Answer: Yes, Finance is as important for other areas as it is for the finance section of a firm.

Question: What are the four basic areas of Finance?

Answer: Four basic areas of Finance include: - Business Finance - Investment - Financial Institution - International Finance

Question: What ultimate objective should be achieved by making a capital structure?

Answer: The ultimate objective while making a capital structure is to maximize the overall value of the firm.

Question: What is meant by the term "Capital Budgeting"?

Answer: Capital Budgeting is the process of planning expenditures on assets whose cash flows are expected to extend beyond one year. In other words, the process of planning and managing a firm's long-term investments.

Question: How the business structure "Sole-Proprietorship" will be defined?

Answer: A sole proprietorship is a business owned and operated by one individual.

Question: How the business structure "Partnership" will be defined?

Answer: An unincorporated business owned by two or more persons.

Question: How the business structure "Corporation" will be defined?

Answer: A legal entity created by a state, separate and distinct from its owners and managers, having unlimited life, easy transferability of ownership, and limited liability.

Question: What is the basic goal of a corporation?

Answer: The traditional answer is that the managers of the corporation are obliged to make efforts to maximize shareholder wealth. Alternatively, the goal of the financial manager is to maximize the current value per share of the existing stock.

Question: What is the difference between Gross Working Capital and Net Working Capital?

Answer: The term Gross Working Capital refers to total current assets whereas Net Working Capital is equal to total current assets minus total current liabilities.

Question: What role a Financial Manager is supposed to play ?

Answer: To create value, the financial manager should: - try to make smart investment decisions. - try to make smart financing decisions.

Question: How many kinds are there of business structures?

Answer: There are three main kinds of business structures: - Sole-proprietorship - Partnership - Corporation