

# Why market prices are useful to a financial manager?

[Finance](#), [Market](#)



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The reason why a Financial manager is establish is for them to be able to make investment decisions, make financing decisions, and manage cash flow from operating activities. With that establish is clear that in order to understand the approach that the manager is going to approach, is necessary to study, understand, and develop the market taking into consideration the needs of the company. If he financial manager does not study the market prices, he will not be able to create a good sales strategy that will give the company a profitable product development.

Discuss how the Valuation Principle helps a financial manager make decisions. First what the Valuation Principle does, is that it shows how to make the cost and benefits of a decision comparable so we can weight them properly. This principle is the one that the Financial Manager will be able to use to make a better decision of the study of the market based on the market value and the needs of the company.

Describe how the Net Present Value is related to cost-benefit analysis. The Net Present Value is the base of the cost-benefit analysis, the reason for this is that the NPV is the difference between costs and benefits, and this NVP is what determine the outcome of a cost-benefit analysis and what direction this Manager and the Company is going to take in that project in which they did the analysis. Explain how an interest rate is just a price.

When we use interest rate is based on a future price, an example is that if you have \$100 in a bank for one year at 6% interest rate, in a year you will have \$106. The present value of your money is \$100 but in a year that same \$100 is worth \$106, why because is just a price given to your money in the

future. Describe how a bond is like a loan. In definition the bond is a security sold by governments and corporations to raise money from investors today in exchange for a promised future payment.

So yes is like a loan made to the company or government, the reason for this is to give opportunity to make money in both sides, one the borrower is getting an opportunity to have the income to move forward with projects or products that will generate more income. In the other side we have the investors that gave the money for this project to develop and have the chance to increase their investment through this bond.