

# Introduction to business: a general questions

[Business](#)



1. For business managers to make sound financial decisions they must do what five functions?
  - a. Planning: objectives development and setting up strategies for their accomplishment
  - b. Organizing: development of organizational structure and hierarchy of reporting
  - c. Staffing: allocating tasks according to skill and experience
  - d. Directing: leadership and motivation of employees to accomplish organizational objectives
  - e. Controlling: performance management and reporting

2. What is the cash budget and what purpose does it serve?

It is an estimate of the cash inflows and outflows in a business over a particular period of time. The budget is significant in determining whether there is enough cash to cater for the day to day operations, and also to determine if the cash is being utilized properly.

3. What is compounding?

It is the capacity of an asset to bring forth income, which is then plowed back to the business to generate more income. In other words, it is the activity whereby the income is acquired from previously earned income.

4. Define common stocks include the five rights accorded to stockholders.

Common stocks are securities signifying ownership of a corporation.

- a. Right to be given a share of any asset remainders in case the company discontinues its operations.
- b. Right to examine company books and records
- c. Right to file legal charges against the management for any unofficial actions
- d. Right to retain their ownership proportions of the company by purchasing

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new shares when a new issue is offered

e. Right to purchase new shares earlier than the non-stock-holders

6. What is preferred stock?

Preferred stocks are also referred to as preference shares. They are specialized capital securities that are similar to properties of capital and liability instruments. They can be converted in to common stock.

7. What is NASDAQ?

It is a system that uses computers to help stocks dealers in their trading activities. The system is significant in providing them with information on bids, asking price quotes when dealing with stocks that have been listed as well as those offered over the counter.

8. What are mutual funds?

These are funds that are meant to raise money for investment companies. They are significant in the maintenance of a high rate of returns in such companies due to the diversity of investment in financial securities. The money is usually pooled from investors and directed to stocks and bonds as investments.