

# Finance college essay



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Finance, or financial management is concerned with the maintenance and creation of economic value or wealth for a business.

This includes making and dealing with financial decisions and a focus on creating wealth.

- o Efficient market A market in which the values of securities at any instant in time fully reflect all available information, which results in the market value and the intrinsic value being the same. This concept is used in businesses to perform well for shareholders and to maximize shareholder wealth.
- o Primary market

Transactions in securities offered for the first time to potential investors.

This type of transaction increased the total stock of financial assets outstanding in the economy.

- o Secondary market The market in which stock previously issued by the firm trades. These transactions contain previously purchased stock during the initial offering and resold by the owner or consumer.
- o Risk Risk encompasses many terms, such as financial risk, interest rate risk, firm-specific risk, company-unique risk, exchange rate risk, etc. The word risk itself in business means the likely variability associated with expected revenue or income streams.

Security A certificate or piece of paper that proves ownership of stocks, bonds, and other investments.

These certificates may be bearer, meaning they entitle the holder to right under the security, or registered, meaning they entitle the holder to rights only if he or she appears on a security register maintained by the issuer or an intermediary.

- o Stock Stock is a security issued in the form of shares that represent ownership interests in a company. There are several types of stock such as common stock, adjustable rate preferred stock, convertible preferred

stock, cumulative preferred stock, etc. Bond A type of debt or a long-term promissory note, issued by the borrower, promising to pay its holder a predetermined and fixed amount of interest each year.

A bond is a formal contract to repay borrowed money with interest at fixed intervals. o Capital Money available to build and grow a retail business.

These liquid assets represent the amount of ownership and risk in a business. For new retail shops, it is the amount of cash required to launch and operate the business before borrowing from others.

o Debt Consists of such sources as credit extended by suppliers or a loan from a bank.

Its role in finance and in the case of assets, debt is a means of using future purchasing power in the present before a summation has been earned Some companies and corporations use debt as a part of their overall corporate finance strategy. o Yield The annual rate of return on an investment, expressed as a percentage. Its role in finance applies to various stated rates of return on stocks, fixed income instruments, and some other investment type insurance products. o Rate of return The rate of return is the amount of money a person earns relative to the amount of money he invests.

It is used to track all different types of investments, from investments in a savings account to profits and losses earned The return can be equal to interest income, the profit or loss an investor incurs from an investment, or a person's net gain or loss.

o Return on investment Return on investment is a term used in the financial industry to describe the monetary gain made by investing in some type of financial vehicle. There are a variety of financial vehicles that can be used to gain a reasonable return on investment.

Consumers are interested in this data because it will help them determine if investing in a certain company or product will be financially wise and generate income. o Cash flow Cash flow is the total amount of cash that is generated and received by a company, along with the amount of cash that is used for expenses of the organization. Monitoring cash flow is considered essential to having an accurate picture of the financial stability of the business, and often can yield information that can be used to improve the economic condition of the company.