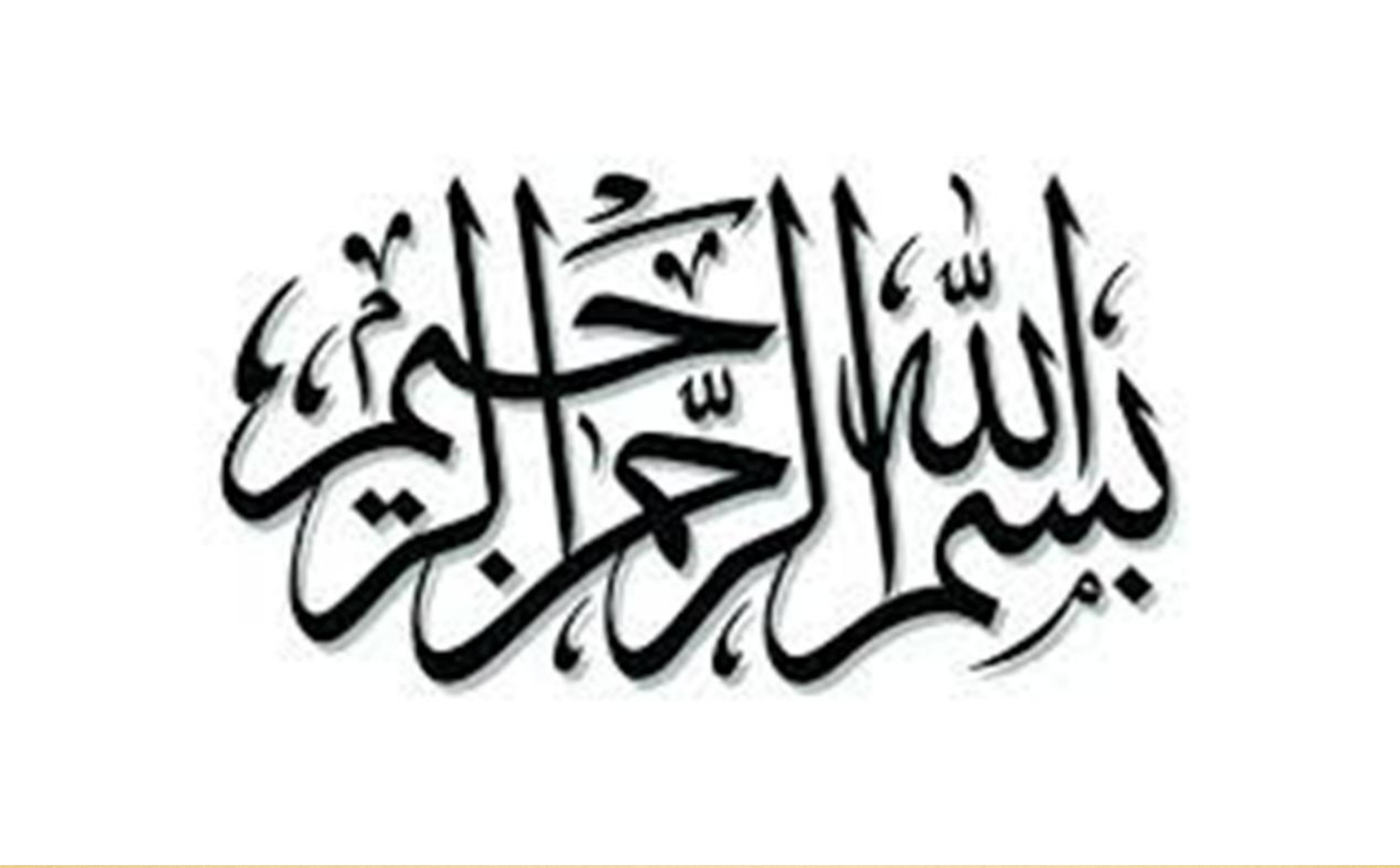
Lecture No. 16


بسم الله الرحمن الرحيم

FACUALTY PROFILE

Mr. Muhammad
Younis

(Lecturer Commerce)

Several Times Topper in
PPSC & FPSC in this field
& 6 times Appointed
against different positions
of Accounts & Audit

Contact Details:

009230010048O3

00923001004804

iirsacademy@gmail.com

Terms of Financial Management

What is Capital:

The capital of a business is **the money it has available to fund its day-to-day operations and to bankroll its expansion for the future**.

The amount invested by owners called capital. It is **the money a company needs to function and to expand**.

Capital expenditures :

The funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology.

Revenue expenditures:

Revenue expenses or operational expenses are the **short-term business expenses usually used immediately or within one year**.

Terms of Financial Management

What is Cost:

A cost typically refers to the price paid to acquire an asset.

What is expense:

Expense is a cost that has expired.

What is Present Value (PV):

Present value is **today's value of money you expect from future income**

Future value:

Future value is **the value of an current asset or money at a specific future date**

خرچ و آمدنی کا تخمینہ

Budget

The financial plan of expenses and revenues

Budgeting

Preparation of ‘Financial Plans (Budget).

Budget

The financial plan of expenses and revenues

↓

Budgeting

Preparation of ‘Financial Plans (Budget).

Capital Budgeting

???


Capital
Budget

Capital budgeting is the process of evaluating and selecting long term investments that are consistent with the goal of shareholders (owners) wealth maximization

Capital Budgeting

The process by which a business **determines which fixed asset purchases or project investments are acceptable and which are not.**

Capital budgeting is concerned with the allocation of the firms financial resources among the available opportunities.

Importance/ Objectives

Features of Capital Budgeting

- Huge Funds
- High Degree of Risk
- Affects Future Competitive Strengths
- Difficult Decision
- Estimation of Large Profits
- Long Term Effect
- Affects Cost Structure
- Irreversible Decision

Importance/ Objectives

1. **Huge Funds**:

   Capital budgeting involves expenditures of high value which makes it a crucial function for the management.

2. **High Degree of Risk**:

   Due to taking decisions about involvement of huge financial burden can be risky for the company.

Importance/ Objectives

3. **Affects Future Competitive Strengths**:

The company's future is based on such capital expenditure decisions. **Sensible investing can improve its competitiveness,** whereas a wrong investment may lead to business failure.

4. **Difficult Decision**:

When the future is dependent on capital budgeting decisions, it becomes difficult for the management to grab the most appropriate investment opportunity.

Importance/ Objectives

5. **Help to Estimation of Large/long run Profits**:

   Any investment decision taken by the company is made with the perspective of earning desirable profits in the long term.

6. **Long Term Effect**:

   The effect of the decisions taken today, whether favorable or unfavorable, will be visible in the future or the long term.

Importance/ Objectives

7. Affects Cost Structure:

The company's cost structure changes with the capital budgeting; for instance, it may increase the fixed cost such as insurance charges, interest, depreciation, rent, etc.

8. Irreversible Decision:

A decision once taken is tough to be amended since it involves a high-value asset which may not be sold at the same price once purchased.

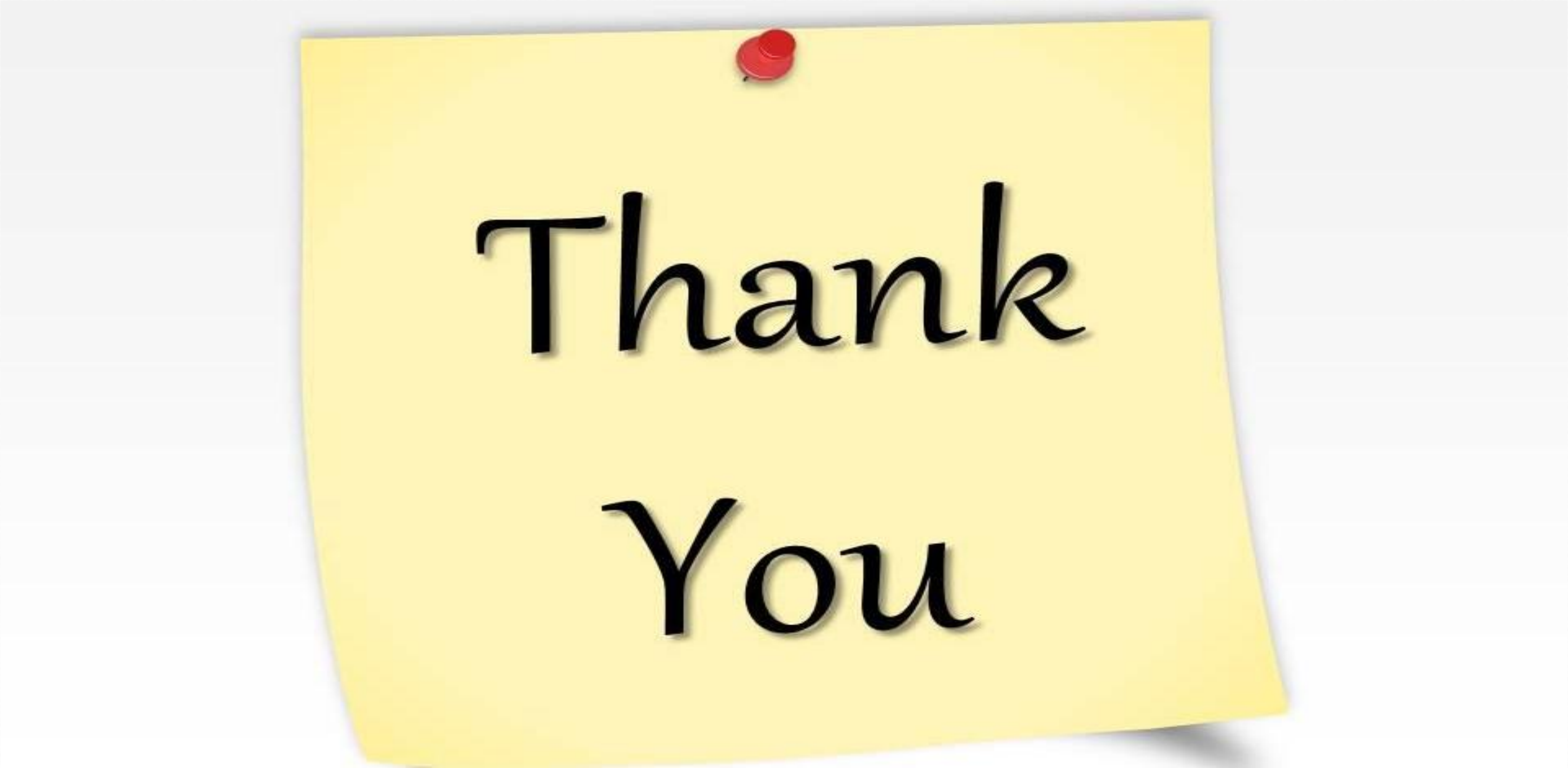
FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2020
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Assignment No. 05

Q. No. 7 (2020 Descriptive Question)

Explain the following analytical tools of Financial Management: (05 each)

(a) Time series analysis versus cross sectional analysis.
(b) Horizontal analysis versus vertical analysis.
(c) Liquidity ratios versus debt ratios.
(d)Turnover ratios versus profitability ratios.?


Thank
You


Q&A
You have
Questions
We have
Answers