

Finance Flashcards PDF

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What is the definition of finance?

Finance is the study of how individuals, businesses, and organizations manage their money, including the processes of acquiring, investing, and spending.

What are the three main types of finance?

The three main types of finance are personal finance, corporate finance, and public finance.

What is personal finance?

Personal finance refers to the management of an individual's or a family's financial activities, including budgeting, saving, investing, and planning for retirement.

What is corporate finance?

Corporate finance deals with the financial activities of corporations, including capital investment decisions, funding strategies, and managing financial risks.

What is public finance?

Public finance involves the management of a country's revenue, expenditures, and debt load through various government and quasi-government institutions.

What is the time value of money?

The time value of money is the concept that money available today is worth more than the same amount in the future due to its potential earning capacity.

What is an investment?

An investment is an asset or item acquired with the goal of generating income or appreciation.

What is a budget?

A budget is a financial plan that outlines expected income and expenditures over a specific period.

What is the purpose of a financial statement?

Financial statements provide a summary of the financial performance and position of a business, helping stakeholders make informed decisions.

What is a balance sheet?

A balance sheet is a financial statement that reports a company's assets, liabilities, and shareholders' equity at a specific point in time.

What is an income statement?

An income statement is a financial report that shows a company's revenues and expenses over a specific period, resulting in net profit or loss.

What is cash flow?

Cash flow is the net amount of cash being transferred into and out of a business, indicating its liquidity.

What is a stock?

A stock represents a share in the ownership of a company and constitutes a claim on part of the company's assets and earnings.

What is a bond?

A bond is a fixed income instrument that represents a loan made by an investor to a borrower, typically corporate or governmental.

What is diversification in finance?

Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio to reduce exposure to any single asset or risk.

What is risk in finance?

Risk in finance refers to the potential for loss or the uncertainty regarding the return on an investment.

What is return on investment (ROI)?

Return on investment (ROI) is a performance measure used to evaluate the efficiency of an investment, calculated as the net profit divided by the cost of the investment.

What is leverage in finance?

Leverage is the use of borrowed capital to increase the potential return on investment.

What is a financial market?

A financial market is a marketplace where buyers and sellers engage in the trade of assets such as stocks, bonds, currencies, and derivatives.

What is the role of a financial advisor?

A financial advisor provides guidance on financial planning, investment strategies, and wealth management to help clients achieve their financial goals.