

### **Important Topics Exposition:**

*[The important information of this chapter has been provided here at a glance.]*

#### **1. Concept of Finance:**

Finance deals with fund management. Finance prepares plans and implements necessary activities about what amount of fund should be collected from which sources and where & how this fund is to be invested for highest profit in the project. In case of a business firm, fund flows in the business from selling of products. Different types of funds are needed to produce and buy goods for the business, such as purchasing machinery, purchasing raw materials, paying wages to the labors, etc. These are the utilization of fund. Funds need to be collected in a planned way as per the requirement of fund to maintain an uninterrupted production process. Finance means this process related to fund collection and utilization.

#### **2. Classification of Finance:**

□

##### **Family Finance:**

##### **a) Family Finance:**

In family finance, the sources and amount of income of the family are identified and how this income can be utilized for the overall welfare of family members is determined. Among innumerable necessary expenditures, the most important expenditures are fulfilled on priority basis. If family income is not sufficient, loan can be taken from the relatives, familiar persons or friends.

##### **b) Public Finance**

Every government has its own financial management. In the case of a government, how much on which areas will be the probable yearly expenditures of the government and how that money can be arranged from which sources are discussed in the public finance. Government has to spend a lot of money for overall development of the country in various sectors such as roads, bridge, government educational institutions, government hospital, law and order, defense, social infrastructure etc. Government collects money to bear these expenses from different sources like income tax, vat, gift tax, import custom, export custom, saving certificates, prize bond, treasury bill etc.

##### **c) International Finance**

In international finance, export and import sectors are discussed and analyzed.

Trade deficiency of large

amount occurs as the volume of import is greater than the volume of export.

Remittance sent by the foreign dwellers plays a vital role to compensate this deficiency. International finance discussion about export and import sectors and the way of management to compensate the trade deficiency.

##### **d) Finance of Non-Profit Organization**

In our society there are some institutions or organizations which are involved in the welfare of mankind, or providing services for the poor and distressed people.

To run this type of business, money or products or services similar to money is required and it is necessary to utilize that money efficiently.

##### **e) Business Finance**

The most important type of finance is business finance. An organization formed with the purpose of earning profit through the risk profit and loss is called a business organization. So, business finance is the process used to collect fund and invest it for business purposes.

#### **f) Bank and Financial Institution**

In any country, economic activities usually revolve centering the banks and financial institutions. Sonali Bank, Janata Bank, Rupali Bank, Prime Bank, Shahjalal Islami Bank, the type of government and privately owned banks are profit-oriented organizations but their financial process is usually slightly different from business organizations. These financial institutions play their own special roles in the development of different sectors of the economy of Bangladesh.

### **3. Importance of Business Finance**

Capital Crisis of Business

Backward Banking System

Less Educated Entrepreneur

Production-Oriented Investment and National Income

### **4. Principle of Business Finance**

Liquidity vs. Profitability Principle

Competence Principle

Diversification and Risk Distribution

Functions of Financial Manager

### **5. Financial manager deals with the two types of decisions:**

Income or Financing Decision

Expenditure or Investment Decision

### **CQs for Self-assessment (Board CQ):**

1. Mr. Shahed is a small trader. For constructing a new building, he borrows some money from his relatives and friends. But it is not possible to build a house of that money. That's why he takes remaining necessary money from a bank at the rate of 805% interest.
  - a. What is the full form of PPP?
  - b. Explain the liquidity vs profitability principles.
  - c. What type of financing has done by Mr. Shahed in the above stem? Explain.
  - d. Will it be logical to take bank loan for Mr. Shahed, for constructing a building? Give your opinion.
2. Mr. Haroun regards religious festival and various types of customers demand considering shirt, pant, Panjabi, saloar, kamiz, saari, bed cover etc., goods are arranging and he earns profit. In this year, he decided to expansion his business the purpose decision making purchase another shop of Dhanmondii. The shop purchase and decoration purpose need to large amount whose amount impossible to supply from his own fund.
  - a. What is main objective of government finance?
  - b. What is the alternative name of cost decision? Explain.
  - c. Which principles is to be applicable of Mr. Haroun business finance? Explain.
  - d. Which source of finance is logical for Mr. Haroun's business expansion? Analyze.
3. Dina Oil Company located in Saudi Arabia exports huge amount of oil to Bangladesh every year. Russel who works in the company sends money to his wife regularly. His wife established a fish farm in their village home with the money. This farm is making her affluent as well as contributing to the country's economy.
  - a. What is another name of income decision?
  - b. Explain the principles of maintaining balance between liquidity and profit.
  - c. What type of financing is indicated in the stem?
  - d. Explain the role of Mr. Russel in the country's financing.

4. Mrs. Rodoshi is a financial manager of a manufacturing company. Firstly, she manages selling share for collecting fund. Secondly, she decides to purchase a computer for facilitating production of the company.
  - a. What is the main objective of public finance?
  - b. What is the main driving force of business? Explain it.
  - c. What type of decision is first decision of Mrs. Rodoshi? Describe it.
  - d. Analyze the importance of second decision of Mrs. Rodoshi for the company.

### MCQs for Self-assessment (Board MCQ):

1. In which decade, "World Trade Organization" (WTO) revealed itself??
  - a) 1970's
  - b) 1980's
  - c) 1990's
  - d) 2000's
2. Chemical industries are operated under which institution?
  - a) BGIC
  - b) BGMC
  - c) BCIC
  - d) BSTI
3. School is a -
  - a) Social organization
  - b) Familial organization
  - c) Political organization
  - d) Economical organization
4. Sources of government income are –
  - i) tax
  - ii) treasury bill
  - iii) loan
 Which one is correct?
  - a) i & ii
  - b) ii & iii
  - c) i & iii
  - d) i, ii & iii
5. following which one is the income source of non- profit organization?
  - a) Loan
  - b) Investment
  - c) Donation
  - d) Remittance
6. What is the main objective of business organization?
  - a) Achieving success
  - b) Achieving asset
  - c) Achieving goodwill
  - d) Earning profit
7. What is the full form of P.P.P.?
  - a) Public of partnership
  - b) Public present of partnership
  - c) Public private of partnership
  - d) Public of partnership
8. Business organization are classified into how many types?
  - a) 3
  - b) 4
  - c) 5
  - d) 6
9. Principle of fund management –
  - i) Liquidity VS profitability
  - ii) Competence principle
  - iii) Diversification and risk distribution principle
 Which one is correct?
  - a) i & ii
  - b) ii & iii
  - c) i & iii
  - d) i, ii & iii
10. What does finance deal with?
  - a) Exchange management
  - b) Capital management
  - c) Fund management
  - d) Profit management
11. World Bank is involved in which type of finance?
  - a) Finance of Non-profit organization
  - b) Family finance
  - c) Public finance
  - d) International finance

### Extra MCQ:

12. What is the main driving force of business?
  - a) Initiative
  - b) Finance
  - c) Investment
  - d) Production
13. How does money come to a business organization?
  - a) By the entrepreneur
  - b) From the loan
  - c) From goods selling
  - d) Owner's own fund

14. The reason for the increase of trade and business volume –
- Evolution of civilization
  - Technical development
  - Political background change
- Which one is correct?
- |             |                |
|-------------|----------------|
| a) i & ii   | c) i & iii     |
| b) ii & iii | d) i, ii & iii |
- [Considering the following information, answer the question no. 15&16.]**

Mr. Alif established a primary school at his village. He collects fund from student's fees, examination fees, admission fees and spent the school expenditure on that fund.

15. What type of organization is Mr. Alif?
- |                 |                     |
|-----------------|---------------------|
| a) Merchants    | c) Family           |
| b) Co-operative | d) Non-profit based |
16. In addition to the mentioned sources, can Mr. Alif collect the funds from which source?
- Commercial bank
  - Business loan
  - Donation
  - Agriculture Bank
17. What is called the task of fund management?
- Profit
  - Financing
  - Accept Loan
  - Capital expenditure
18. How is the government financing?
- Profitable
  - Risky
  - Non-profitable
  - Profit earnable
19. Large scale business institution is –
- Square pharmaceuticals
  - Bata company
  - Keya cosmetics
- Which one is correct?
- |             |                |
|-------------|----------------|
| a) i & ii   | c) i & iii     |
| b) ii & iii | d) i, ii & iii |
20. How many types of financing?
- |      |      |
|------|------|
| a) 4 | c) 6 |
| b) 5 | d) 7 |
21. What is playing the special role to fulfill the trade deficit?
- |                                   |                          |
|-----------------------------------|--------------------------|
| a) Ready-made garments industries | c) Manufactured products |
| b) Agricultural products          | d) Remittance            |
22. Which one is taking part of development in different sources of financing in Bangladesh?
- Bangladesh Housing Finance Agency
  - Bangladesh Agricultural Bank
  - Sonali Bank
- Which one is correct?
- |             |                |
|-------------|----------------|
| a) i & ii   | c) i & iii     |
| b) ii & iii | d) i, ii & iii |
23. Which one is the short source of financing?
- Discount of the account receivable bill
  - Loan
  - Share
  - Leasing
24. Which of the following does not require current capital?
- Raw materials purchase
  - Workers' wages payment
  - Land purchase
  - Rent
25. For international financing has to analyze –
- Import sector
  - Natural resource
  - Export sector
- Which one is correct?
- |             |                |
|-------------|----------------|
| a) i & ii   | c) i & iii     |
| b) ii & iii | d) i, ii & iii |

