**\* Definition & Basic Concepts:**

**1. Finance:**

Finance is concerned with decisions about money or money more appropriately cash flows. Finance decisions deal with how many is raised and used by business, Govt. and individuals

**2. Money market:**

Money market is a financial market in which the securities or instruments are traded with a maturity of less than 1 year.

**3. Capital market:**

Capital market is a financial market in which the securities or instruments are traded with a maturity of more than 1 year.

**4. Primary market:**

This is the part of capital market that deals with issuance of new securities to public. It is also called new issue market.

**5. Secondary market:**

Secondary market also called aftermarket. This is the financial market that deals with the securities that are already issued in the primary market.

**6. Wealth maximization:**

The planned increase of the wealth of the firm through efficient use of profit can be termed as wealth maximization. In, financial management wealth maximization indicates the maximization of the wealth of the firm as well as the maximization of the present value of firm.

**7. Agency problem:**

A potential conflict of interest between outside shareholders (owners/Principle) and managers (agents) who make decisions about how to operate the firm.

**8. Stakeholders:**

Those who are associated with a business; stakeholders include mangers, employees, customers, suppliers, creditors, stockholders, and other parties with an interest in the firm.

**9. Corporate governance:**

**10. Book value:**

**11. Market Value:**

The market value of an asset is that investors are willing to pay today for stocks and bonds in order to receive a risky stream of future expected cash flows.

**12. Intrinsic value:**

Market values are what investors are willing to either buy or sell an asset for, based on investors' expectations of future performance.

**13. Investment banker:**

An organization that underwrites and distributes new issue of securities; it helps business and other entities obtained needed financing.

**14. Stock market:**

It is a place where shares of public listed companies are traded through stock exchange.

**15. SEC (Securities and Exchange Commission):**

The governmentagency that regulates the issuance and trading of stocks and bonds.

**16.** **Market efficiency:**