1. Dealer market- An individual (or firm) buying and selling stocks or bonds does so out of his or her own inventory. The dealer makes money by buying at a lower price and selling at a higher price.

2. Auction market or broker market - The broker or auctioneer helps investors find assets buyer which bid the highest price and sell the asset to them. The broker or auctioneer earns commission fee.

* **Financial Management**
  Involves 3 main functions

1. **Capital budgeting**
2. **Capital structure**
3. **Working Capital management**

1. **Capital budgeting** - the process of planning, evaluating, comparing and selecting the long term operating projects of the company. It answers : which project should the firm take?
2. **Capital structure -** The means by which a company finance its projects or activities. It answers: Where do we raise money for the project and activities.
3. **Working capital management** - the process of managing the day to day business. It answers how do the firm manage its day to day business? (short term)

*** Goal of Financial Management**

1. The goal of financial management is to maximize the current market value of equity of the **<u>private firm</u>**
2. The goal of financial management is to maximize the stock price of the **public traded firm.**

* **Three Key Factors Determines Stock prices**
Future value
Risk
Timing

<u>Chapter 3</u>

1. **Future Value and compounding**
2. **Present value and discount**
3. **One equation and four variables**
4. **Rule of 72**

Formulas

$FV = PV \times (1 + R)^N$

$PV = FV \times 1 / (1 + r)^n$

$r = (FV / PV)^{1/n} - 1$

TIME VALUE OF MONEY EQUATION ON FINANCIAL CALC

n = , PV = - 1 , FV = 2, PMT = 0