

Objectives

- Explain the goal of the firm.
- Describe what the subject of financial management is about.
- Compare the various legal forms of business.

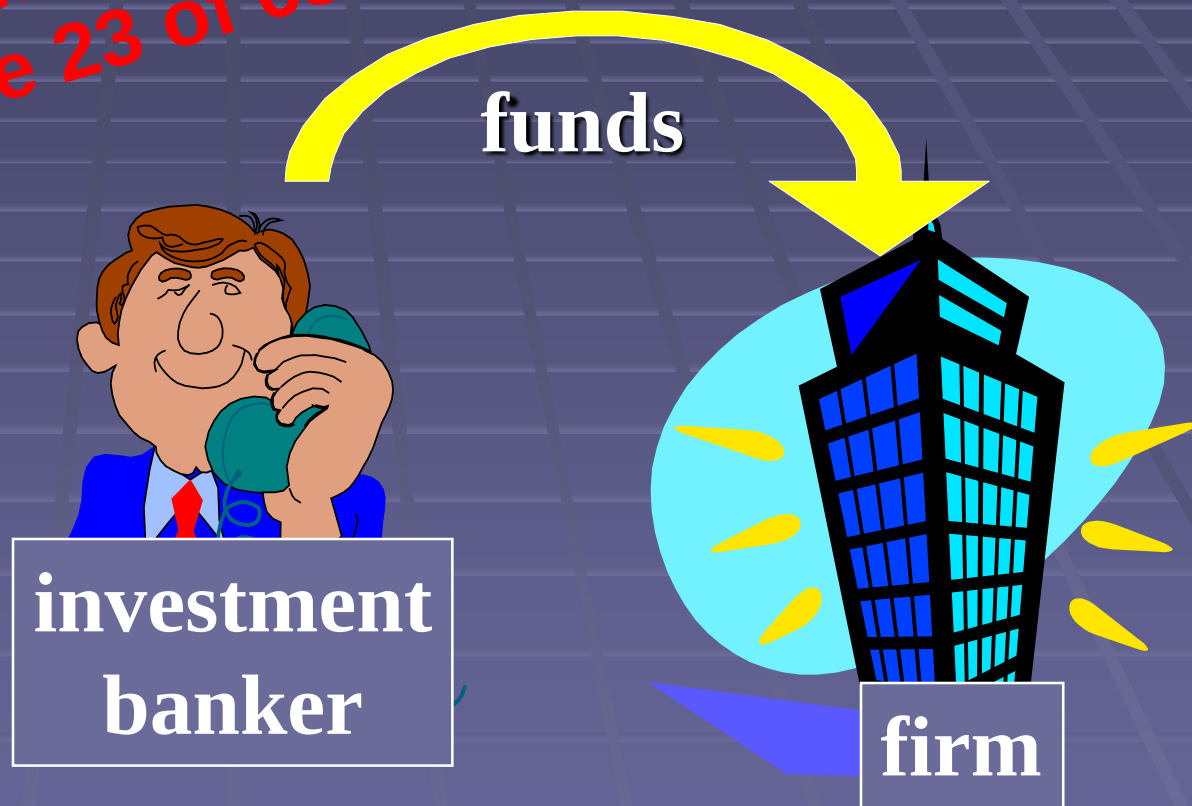
Q: What are SECURITIES?

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**A: Financial Assets that
Investors purchase hoping
to earn a high rate of
return.**

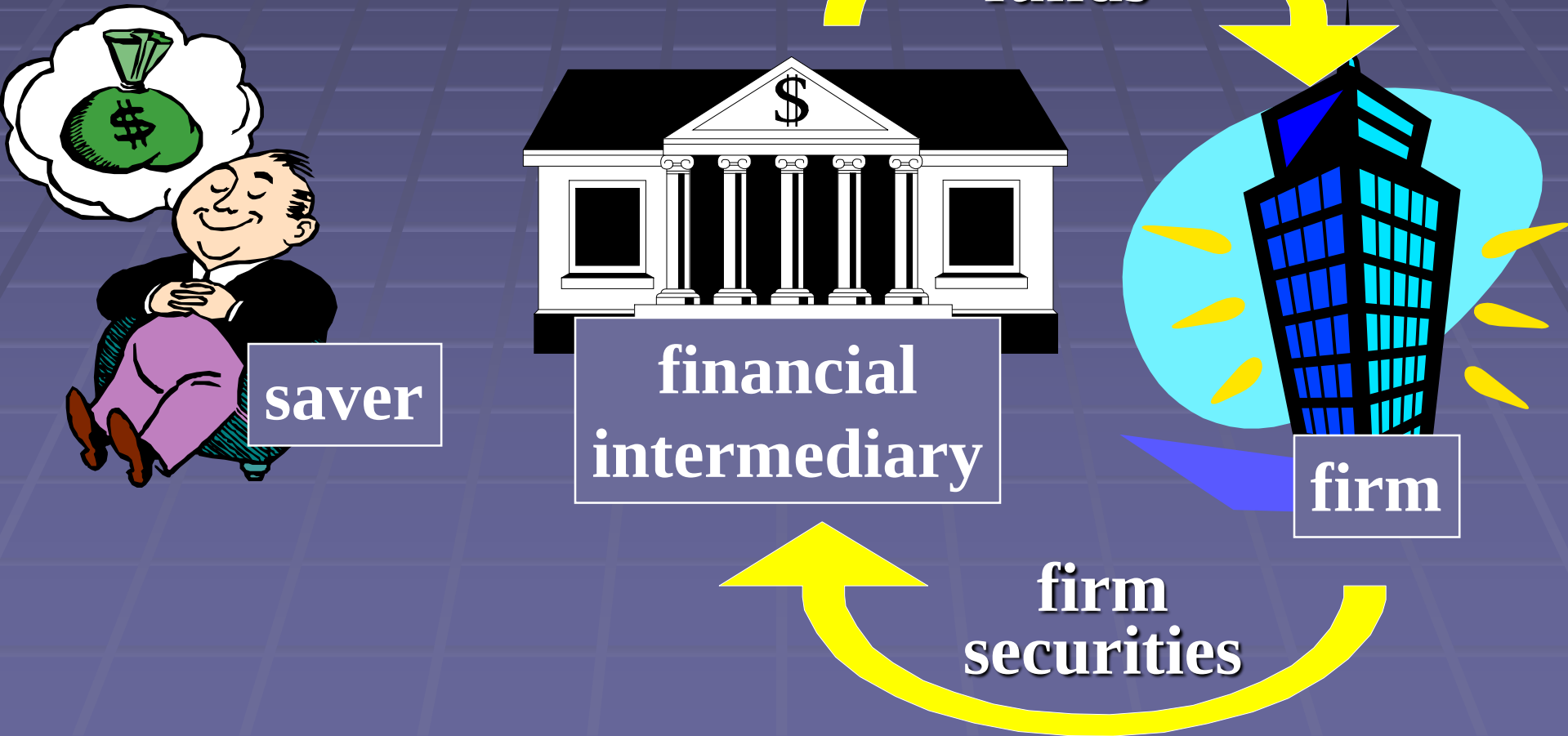
Movement of Savings

- Indirect Transfer using Investment Banker



Movement of Savings

- Indirect Transfer using a Financial Intermediary



Financial Market Components

Primary Market

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Financial Market Components

Primary Market

- Market in which new issues of a security are sold to initial buyers.

Secondary Market

Financial Market Components

Money Market

- Market for short-term debt instruments (maturity periods of one year or less).

Capital Market

- Market for long-term securities (maturity greater than one year).

Financial Market Components

Organized Exchanges

- Buyers and sellers meet in one central location to conduct trades.

Over-the-Counter (OTC)

Financial Market Components

Organized Exchanges

- Buyers and sellers meet in one central location to conduct trades.

Over-the-Counter (OTC)

- Securities dealers operate at many different locations across the country.
- Connected by **Nasdaq** system (National Association of Securities Dealers Automated Quotation)

The Corporation and Financial Markets

Corporation



Investors



Government

The Corporation and Financial Markets

- Initial Public Offering (IPO)

- The first time the firm's stock is sold to the general public.

- Seasoned New Issue