10 Finance Concepts

Everyone should know!

1) Time Value of Money

The time value of money is a financial concept that states that money today is worth more than the same amount of money in the future.

It explains that a Rupee received today is worth more than a Rupee received in the future due to factors like inflation and the opportunity cost of not having that money.

2) Return on Investment (ROI)

ROI is a measure of the profitability of an investment you made.

It measures the amount of profit or returns you gain from an investment relative to its cost

For example, if you invest ₹1,000 and receive ₹1,200 in return, your ROI would be 20%, indicating a 20% profit on your investment

3) Leverage

Leverage refers to the use of borrowed funds or debt to finance investments or business operations.

By borrowing money, you can increase your investment power and potentially generate higher returns.

4) Cost of Capital

The cost of capital is the minimum rate of return that a company must earn on its investments in order to satisfy its investors.

It is the cost of the money that a company uses to finance its operations, including debt and equity.

5) Liquidity

Liquidity is the ability to quickly convert an asset into cash without affecting its market price.

In simple terms, liquidity is how easily and quickly an asset can be converted into cash without losing its value.

For example, cash is the most liquid asset because it can be converted into cash immediately and without any loss of value.

6) Cash Flow

Cash flow is the movement of money in and out of a business. It is a measure of how much cash a business is generating and how it is using that cash.

Cash flow is important for businesses because it helps them to track their financial health and to make informed decisions about their future.

7) Valuation

Valuation refers to the process of determining the economic value or worth of an asset, business, or investment.

It involves estimating the fair market value based on various factors and methodologies.

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SWIPE

8) Net Worth

Net worth is a financial metric that represents the difference between an individual's or company's total assets and total liabilities.

In simpler terms, net worth is a measure of an entity's wealth or financial position.

9) Behavioral Finance

Behavioral finance explores how psychological biases and emotions influence financial decision-making.

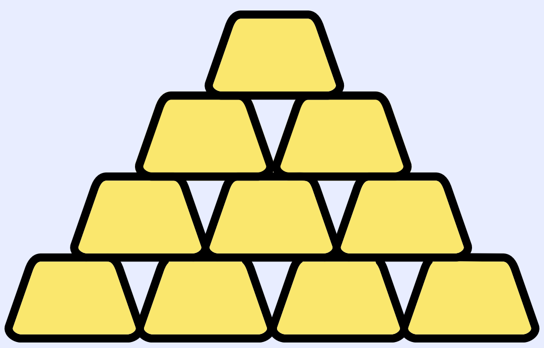
Understanding these biases can help individuals make more rational and objective financial choices.

10) Derivatives

Derivatives are financial instruments that derive their value from an underlying asset.

They are contracts between two parties that specify future transactions or obligations based on the performance of the underlying asset.

The underlying assets can include commodities (oil or gold), currencies, stocks, bonds, interest rates, or market indices.



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