

Finance (Basic)

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Structure of lectures

- Introduction to finance
- Financial markets
- Banks and bank systems
- Other financial institutions
- Time value of money
- Corporate finance
- Personal finance
- Investment
- International finance, International financial system

Why study finance?

- To manage your personal resources
- To deal with the world of business
- To pursue interesting and rewarding career opportunities
- To make informed public choices as a citizen
- To be able answer different questions...

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- I want buy a new car. Should I use my cash saving, lease, borrow?
 - What happens if the government changes the tax rate?
 - Which is the best way to pay my house?
 - I am thinking about starting a new business. Will it reward me adequately?
 - Should I change money for my christmas holiday now or later?
 - ect.

What is finance

Definition: Finance is.....

Finance \neq money

Cash versus Credit money

Functions of money:

□ ..

□ ..

□ ..

Scope of finance

- CF
- IF
- PF
- PubF
- Der
- RM
- PT
- AP
- FE

Finance nowadays and before

Tough financial dealings have existed for centuries, their presence and importance have become even more apparent in our modern era of technology, information, consumption, and investment.

Impact of finance

- GDP
- CPI
- SM
- i
- Oil
- ect.

Financial system

Definition: FS is

Function of FS

- Transferring money
- Share risk
- ..
- ..
- ..
- ..
- ..

Form of FS

Great variety of FS in different countries.

e.g.

USA

Germany

Spending sector (Macroeconomic)

- Household
- Business Firms
- Government
- Foreign Sector

Surplus spending units

- ❑ Has more cash income flow than expenditure
- ❑ Other terms for SU – saver, lender,...
- ❑ The SU may buy financial assets, hold more money, ...
- ❑ Usually Household and foreign sectors

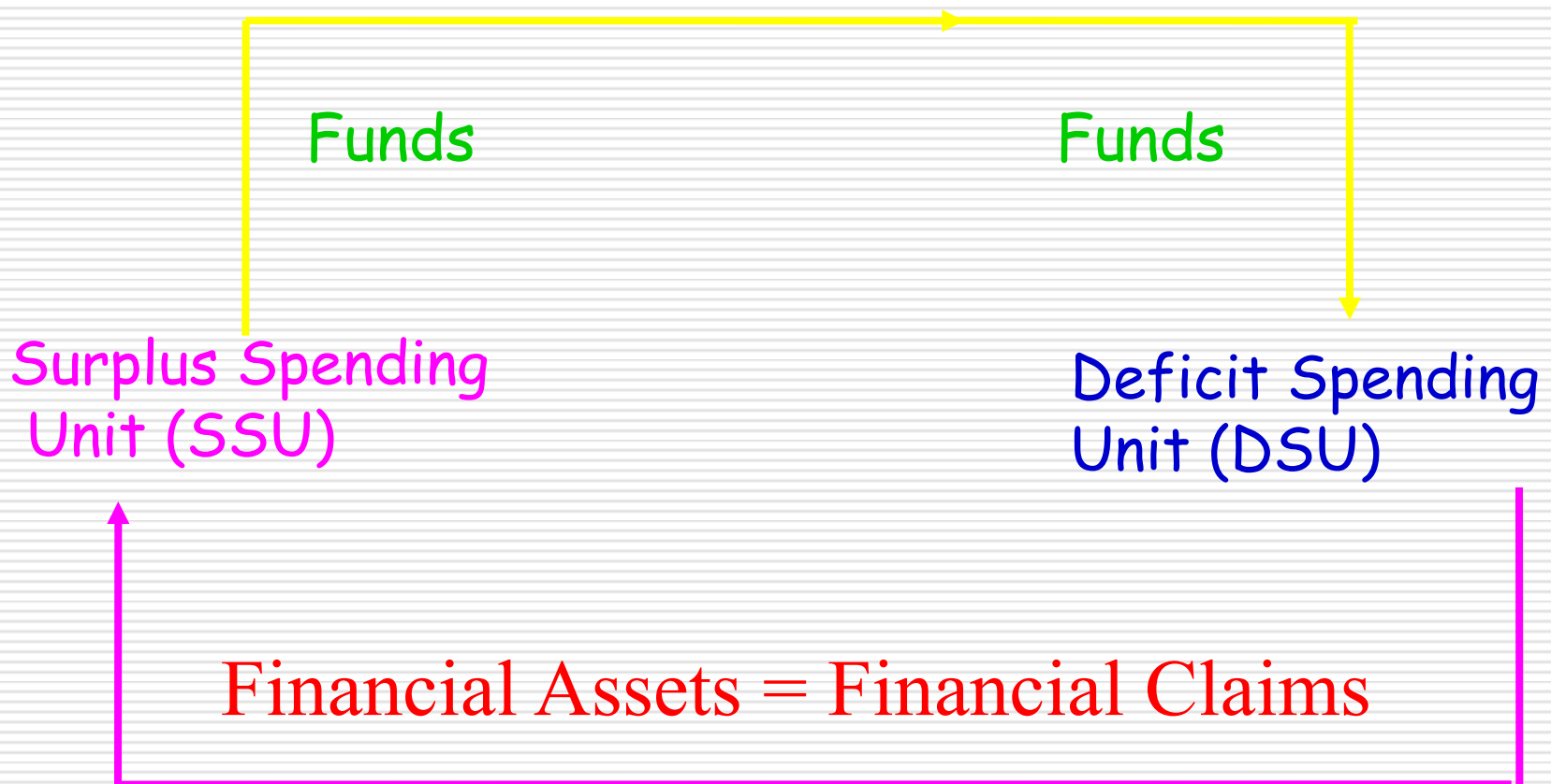
Deficit spending units

- ❑ Has more expenditures on consumption and real goods
- ❑ Must participate in the financial sector
- ❑ Borrower, demander of loanable funds, and seller of securities

Financial claims

Contracts related to the transfer of funds
Financial assets and liabilities, securities,
loans and financial investment
Every FA an offsetting FL

The flow of funds diagram



Financial intermediaries

Channeling funds between surplus and deficit agents (Banks, Insurance companies,).

Major function of intermediaries

- Maturity transforming
- Risk transforming
- Convenience denomination

Advantages of FI

- ❑ Cost advantage:

- ❑ ..

- ❑ ..

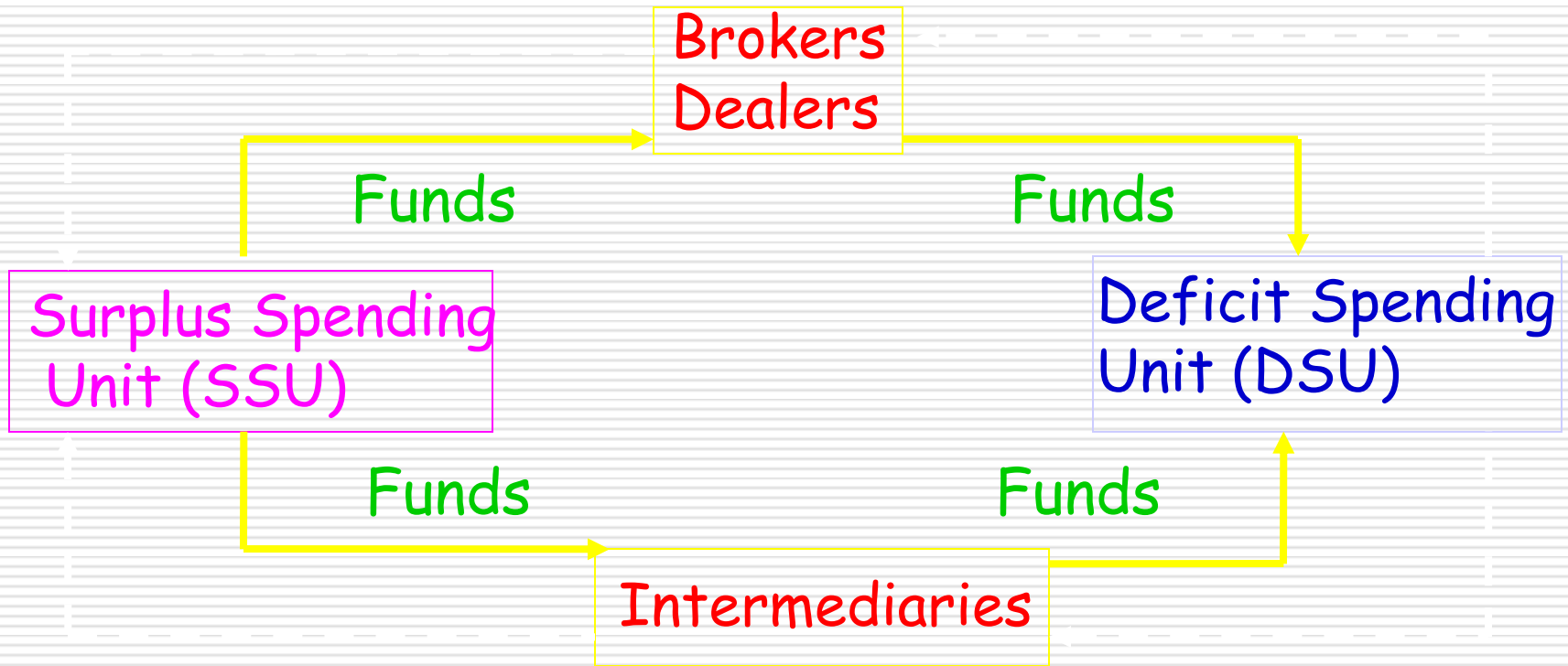
- ❑ ..

- ❑ ..

- ❑ Market failure protection

The flow of funds diagram

DIRECT FINANCING (Markets)



INDIRECT FINANCIAL INVESTMENT OR INTERMEDIATION FINANCING

Thank you for your attention
