上海市金融保险教育高地建设项目
复旦卓越·21世纪金融学教材新系

（第二版）

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内容提要

本书共分16章，内容涵盖了金融学的主要方面，以金融学的基本概念为主要内容，介绍了金融职业员工应具备的技能、商业银行和服务、货币市场、外汇市场、资本市场和保险市场产品的基本知识。在衍生金融工具方面主要介绍了期货、期权和互换的基本概念和知识。

本书内容新颖实用，适合大专院校的金融、保险和投资专业学生使用。

前　言

本书是以英文方式介绍金融产品和服务为主要内容的书籍，具体内容涉及金融的基本概念、商业银行和服务、货币市场、外汇市场、资本市场和保险市场产品和服务等。

当前我国的金融市场上，金融机构、金融工具和金融创新正处于新的发展阶段，金融业对其工作人员的英语水平也提出了更高的要求。编写一本可以在学习英语的同时也增加金融知识特别是熟悉常用的技术术语就显得十分必要，教材在选材上考虑到金融领域技术的新发展和新动向，也考虑了教材的实用性和新颖性。

本教材是为本科教学需要编写的，内容涵盖了金融学的主要方面，教材内容从介绍金融学专业学生在不同工作岗位应掌握的基本技能开始，到金融衍生工具的使用，内容新颖实用。

随着金融产品特别是衍生品的广泛使用，本书对第一版的内容进行了较大调整，增加了商业银行和服务、期权和互换等内容，并对一些章节进行了修订，使本书更显实用性。

本书6个主题共分16章。首先介绍金融的定义。接着介绍了货币市场、商业银行的产品和服务、中央银行的功能和货币政策。第三个主题是外汇市场和汇率，主要介绍外汇市场的功能和汇率的基本知识。第四个主题是企业融资技术和财务报表阅读，负债融资和权益融资的区别是主要内容，财务报表部分主要介绍了如何阅读资产负债表和利润表。第五个部分是介绍资本市场，主要内容有投资的基本技术，包括债券、股票、共同基金、期货、期权和互换。最后介绍了保险市场和产品。

我们要特别感谢上海金融学院的领导和有关教师及复旦大学出版社对本书的写作和出版给予的大力支持和帮助，在此，还要感谢对本书提出意见的各位读者。

由于专业知识水平有限，本书难免存在一些不足和遗漏，作者真诚地希望读者提出宝贵意见，以利于今后教材的修订工作。

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编　者

2009年4月

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Chapter 1

Finance

Learning Objectives

After studying this chapter you will understand:

- What a finance is
- What the personal finance is
- What the corporate finance is
- What the capital is
- What the portfolio is
- What quantitative behavioral finance is
- What the budget is
- What the public finance is

The field of finance refers to the concepts of time, money and risk and how they are interrelated. Banks are the main facilitators of funding through the provision of credit, although private equity, mutual funds, hedge funds[1], and other organizations have become important. Financial assets, known as investments, are financially managed with careful attention to financial risk management to control financial risk.

Financial instruments allow many forms of securitized[2] assets to be traded on securities exchanges such as stock exchanges, including debt such as bonds as well as equity in publicly-traded corporations.

The Main Techniques and Sectors of the Financial Industry

An entity whose income exceeds its expenditure can lend or invest the excess income. On the other hand, an entity whose income is less than its expenditure can raise capital by borrowing or selling equity claims, decreasing its expenses, or increasing its income. The lender can find a borrower, a financial intermediary such as a bank, or buy notes or bonds in the bond market. The lender receives interest, the borrower pays a higher interest than the lender receives, and the financial intermediary pockets the difference.

A bank aggregates the activities of many borrowers and lenders. A bank accepts deposits from lenders, on which it pays the interest. The bank then lends these deposits to borrowers. Banks allow borrowers and lenders, of different sizes, to coordinate their activity. Banks are thus compensators of money flows in space.

A specific example of corporate finance is the sale of stock by a company to institutional investors like investment banks, who in turn generally sell it to the public. The stock gives whoever owns it part ownership in that company. If you buy one share of XYZ Inc, and they have 100 shares outstanding (held by investors), you are 1/100 owner of that company. Of course, in return for the stock, the company receives cash, which it uses to expand its business; this process is known as "equity financing". Equity financing mixed with the sale of bonds (or any other debt financing) is called the company's capital structure[2].

Finance is used by individuals (personal finance), by governments (public finance), by businesses (corporate finance), as well as by a wide variety of organizations including schools and non-profit organizations. In general, the goals of each of the above activities are achieved through the use of appropriate financial instruments and methodologies, with consideration to their institutional setting.

Finance is one of the most important aspects of business management. Without proper financial planning a new enterprise is unlikely to be successful. Managing money (a liquid asset) is essential to ensure a secure future, both for the individual and an organization.

Personal Finance

Personal finance is the application of the principles of finance to the monetary decisions of an individual or family unit. It addresses the ways in which individuals or families obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events. Components of personal finance might include checking and savings accounts, credit cards and consumer loans, investments in the stock market, retirement plans, social security benefits, insurance policies, and income tax management.

Questions in personal finance revolve around:

- How much money will be needed by an individual (or by a family), and when?
- Where will this money come from, and how?
- How can people protect themselves against unforeseen personal events, as well as those in the external economy?
- How can family assets best be transferred across generations (bequests and inheritance)?
- How does tax policy (tax subsidies or penalties) affect personal financial decisions?
- How does credit affect an individual's financial standing?
- How can one plan for a secure financial future in an environment of economic instability?

Personal financial decisions may involve paying for education, financing durable goods such as real estate and cars, buying insurance, e.g., health and property insurance, investing and saving for retirement. Personal financial decisions may also involve paying for a loan, or debt obligations.

Corporate Finance

Corporate finance is an area of finance dealing with the financial decisions corporations make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to maximize corporate value while managing the firm's financial risks. Although it is in principle different from managerial finance which studies the financial decisions of all firms, rather than corporations alone, the main concepts in the study of corporate finance are applicable to the financial problems of all kinds of firms.

The discipline can be divided into long-term and short-term decisions and techniques. Capital investment decisions are long-term choices about which projects receive investment, whether to finance that investment with equity or debt, and when or whether to pay dividends to shareholders. On the other hand, the short-term decisions can be grouped under the heading "Working capital management". This subject deals with the short-term balance of current assets and current liabilities; the focus here is on managing cash, inventories, and short-term borrowing and lending (such as the terms on credit extended to customers).

The terms Corporate finance and Corporate financier are also associated with investment banking. The typical role of an investment banker is to evaluate company's financial needs and raise the appropriate type of capital that best fits those needs.

Managerial or corporate finance is the task of providing the funds for a corporation's activities. For small business, this is referred to as SME finance. It generally involves balancing risk and profitability, while attempting to maximize an entity's wealth and the value of its stock.

Long-term funds are provided by ownership equity and long-term credit, often in the form of bonds. The balance between these forms the company's capital structure. Short-term funding or working capital is mostly provided by banks extending a line of credit.

Another business decision concerning finance is investment, or fund management. An investment is an acquisition of an asset in the hope that it will maintain or increase its value. In investment management? — in choosing a portfolio? — one has to decide what, how much and when to invest. To do this, a company must:

- Identify relevant objectives and constraints: institution or individual goals, time horizon, risk aversion and tax considerations;
- Identify the appropriate strategy: active v. passive — hedging strategy;
- Measure the portfolio performance.

Financial management is duplicate with the financial function of the Accounting profession. However, financial accounting is more concerned with the reporting of historical financial information, while the financial decision is directed toward the future of the firm.

Capital

Financial capital can refer to money used by entrepreneurs and businesses to buy what they need to make their products or provide their services or to that sector of the economy based on its operation, i.e., retail, corporate, investment banking.

Financial capital refers to the funds provided by lenders (and investors) to businesses to purchase real capital equipment for producing goods/services. Real capital comprises physical goods that assist in the production of other goods and services, e. g., shovels for gravediggers, sewing machines for tailors, or machinery and tooling for factories. Financial capital is provided by lenders for a price: interest. Also see time value of money for a more detailed description of how financial capital may be analyzed.

Furthermore, financial capital, or economic capital, is any liquid medium or mechanism that represents wealth, or other styles of capital. It is, however, usually purchasing power in the form of money available for the production or purchasing of goods, etcetera. Capital can also be obtained by producing more than what is immediately required and saving the surplus.

Capital, in the financial sense, is the money that gives the business the power to buy goods to be used in the production of other goods or the offering of a service.

The Desirability of Budgeting

Budget is an estimation of the revenue and expenses over a specified future period of time. A budget can be made for a person, family, group of people, business, government, country, multinational organization or just about anything else that makes and spends money. A budget is a microeconomic concept that shows the tradeoff made when one good is exchanged for another.

Budget is a document which documents the Plan of the business, this may include the objective of business, Targets set, and results in financial terms. The target set for sale, resulting cost, growth, required investment to achieve the planned sales, and financing source for the investment. Also Budget may be long term or short term. Long-term have a time horizon of 5—10 years giving a vision to the company, short-term is an annual budget which is drawn to control and operate in that particular year.

Capital Budget

Capital budget is the process in which a business determines whether projects such as building a new plant or investing in a long-term venture are worth pursuing. Oftentimes, a prospective project's lifetime cash inflows and outflows are assessed in order to determine whether the returns generated meet a sufficient target benchmark. This concerns fixed asset requirements for the next five years and how these will be financed.

Cash Budget

Cash Budget is an estimation of the cash inflows and outflows for a business or individual for a specific period of time. Cash budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations and/or whether too much cash is being left in unproductive capacities.

A cash budget is extremely important, especially for small businesses, because it allows a company to determine how much credit it can extend to customers before it begins to have liquidity problems.

For individuals, creating a cash budget is a good method for determining where their cash is regularly being spent. This awareness can be beneficial because knowing the value of certain expenditures can yield opportunities for additional savings by cutting unnecessary costs.

For example, without setting a cash budget, spending a dollar a day on a cup of coffee seems fairly unimpressive. However, upon setting a cash budget to account for regular annual cash expenditures, this seemingly small daily expenditure comes out to an annual total of $365, which may be better spent on other things. If you frequently visit specialty coffee shops, your annual expenditure will be substantially more.

Working capital requirements of a business should be monitored at all times to ensure that there are sufficient funds available to meet short-term expenses.

The cash budget is basically a detailed plan that shows all expected sources and uses of cash. The cash budget has the following six main sections:

1. Beginning cash balance — contains the last period's closing cash balance.
2. Cash collections — includes all expected cash receipts (all sources of cash for the period considered, mainly sales).
3. Cash disbursements — lists all planned cash outflows for the period, excluding interest payments on short-term loans, which appear in the financing section. All expenses that do not affect cash flow[3] are excluded from this list (e.g., depreciation, amortisation, etc).
4. Cash excess or deficiency — a function of the cash needs and cash available. Cash needs are determined by the total cash disbursements plus the minimum cash balance required by company policy. If total cash available is less than cash needs, a deficiency exists.
5. Financing — discloses the planned borrowings and repayments, including interest.
6. Ending cash balance — simply reveals the planned ending cash balance.

Management of Current Assets

Credit Policy

Credit gives the customer the opportunity to buy goods and services, and pay for them at a later date.

Forms of Credit

1. Suppliers credit
2. Credit on ordinary open account
3. Installment sales
4. Bills of exchange
5. Credit cards
6. Contractor's credit
7. Factoring of debtors
8. Cash credit

Advantages of Credit Trade

1. Usually results in more customers than cash trade
2. Can charge more for goods to cover the risk of bad debt
3. Gain goodwill and loyalty of customers
4. People can buy goods and pay for them at a later date
5. Farmers can buy seeds and implements, and pay for them only after the harvest
6. Stimulates agricultural and industrial production and commerce
7. Can be used as a promotional tool
8. Increase the sales

Disadvantages of Credit Trade

1. Risk of bad debt
2. High administration expenses
3. People can buy more than they can afford
4. More working capital needed
5. Risk of Bankruptcy

Factors Which Influence Credit Conditions

1. Nature of the business's activities
2. Financial position
3. Product durability
4. Length of production process
5. Competition and competitors' credit conditions
6. Country's economic position
7. Conditions at financial institutions
8. Discount for early payment
9. Debtor's type of business and financial positions

Overdue Accounts

1. Attach a notice of overdue account to statement
2. Send a letter asking for settlement of debt
3. Send a second or third letter if first is ineffectual
4. Threaten legal action