



**University textbook: *Business Finance*,** Súvaha,  
Balance sheet, 2002, fourth edition, 508 pgs.  
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## WHAT IS BUSINESS FINANCE?

Reviewing this book by K. Vlachynský et al. has not at all been a simple task, as it is extensive as it is detailed. Yet at the same time it is a pleasure, since it is well compiled, the team of authors having attempted to gather together in the one book all basic knowledge on business finance employed in a modern market economy, on financing a business or the financial management of a business.

The authors describe and explain the various fields of business finance over 16 chapters, which are logically arranged and in their content well compiled. Each chapter contains model examples allowing the reader to gain an understanding of the issues from the given field. At the end of the textbook we also find a glossary of the most important terms used in the book. A successful and satisfying innovation is the attachment of a CD with software for calculating the selected examples, and CD symbols have been inserted directly in the text, notifying the reader that the given field can also be calculated using the software application. Each chapter concludes with a comprehension check concerning all the main points covered, in the form of a summary. The great appeal of the publication is its high professional level and comprehensibility. The book thus represents a further important enrichment of professional literature devoted to this field.

The first chapter familiarises the reader with the emergence and development of business finance as a scientific discipline, describes the individual types of financial relations that together form business finance, explain basic terms such as assets and capital, financing and investing in a business as well as their mutual relationships.

The second chapter contains basic factors of financial management, the creation and implementation of financial policy, including factors influencing a business when making financial decisions. Great attention is paid to the time value of money and ways of measuring risk involved in business finance.

The third chapter is devoted to the mechanism of financing a business, its asset and financial structure. The following chapters (4,5,6) are devoted in particular to providing a clear breakdown of the different ways of acquiring resources for running a business.

The fourth chapter deals with the options available in acquiring equity from external resources in setting up a business as well as in the course of its operation. With regard to its significance in a market econo-

my the authors have focused on acquiring owner contributions in capital companies, particularly in joint stock companies. The next chapter focuses on the acquisition of internal funds. Since most businesses finance their activity through borrowed capital the authors deal separately with the acquisition of funds in the form of a loan. Great attention is devoted to bonds. I also appreciate the parts dealing with the individual forms of credit such as factoring, forfeiting, leasing and franchising. The good functioning of a business in a market economy requires the use of a system of financial support for businesses in areas where the market insufficiently stimulates business. This forms the content of chapter 7. In the following two chapters, (8 and 9) the authors deal with the allocation of business capital, i.e. investment.

Chapter 8 opens up to the reader the financial aspects of a business's decision making in investing capital into fixed assets (material investment), and in focuses large part on the evaluation of an investment project's economic efficiency. A positive aspect of the book is that the authors highlight to the reader both the advantages and disadvantages of using the individual methods of assessing efficiency, later incorporating the effect of inflation on investment decision making.

Chapter 9 is devoted to the characteristics of financial investment of a business. It also provides the necessary basic facts on creating a portfolio, the rate of return and level of risk of individual financial instruments as the criteria for financial investment.

The management of a business's current assets forms the content of the book's tenth chapter. The area of stocks is examined in great detail. At present more and more businesses are entering financial relations with foreign business subjects, which is caused by the progress of globalisation, integration and the development of foreign trade connected with this. "A Business's Financial Relations Abroad", the eleventh chapter eleven, thus justifiably holds an important place in the textbook.

Chapter 12 describes another important field of business finance, determining the business value of a firm. The author straight at the introduction states that a business's value relates not simply to its own efficiency, but depends, among others, on the overall macro environment and the sector in which it operates. A plus is also the incorporation of a model



using the EVA value index. This model is one of a group of the latest innovations in the field of business valuation.

A business's financial planning is discussed in the subsequent chapter. The author highlights the importance of this process, explaining its essence and role, and describes the procedure of creating a financial plan. The next chapter is accordingly dedicated to business mergers, seen from the financial aspect. This issue is highly topical given the growing number of mergers and acquisitions both around the world and Slovakia. The reader learns about the reasons, motives and forms of merger, on the benefits and economic advantages of mergers, and their influence on the share prices of the parties involved.

The last two chapters examine in some detail the management of a business in the process of consolidation, clean-up and recovery, preventive liquidation, bankruptcy or settlement and forced liquidation. The authors also outline the causes of such an

adverse state emerging and possible solutions to these problems.

The textbook is written in a comprehensible form, the authors take an overall methodological approach, arranging the book thematically. These factors plus the theoretical approaches, graphical demonstrations and practical application solutions provided, all supported with examples, make it a good, appropriate educational aid. It is a first-rate source of knowledge of the foundations of business finance. The style of dealing with topics allows everyone interested in this field to find answers to their questions. The publication, written by a team of authors from the Business Finance Department of the Faculty of Business Management of the University of Economics in Bratislava, will be of service both to students as well as the broad professional public.

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