The three principles of corporate finance are as follows. 1. The Investment Principle: According to the investment principle, funds raised by the firm should be invested to obtain maximum ROI (return on investment). The financing principle states that the ratio of debts and equity should be chosen to maximize the value of investment and to match the financing nature of the assets. Almost every economic activity is run by financing mix i.e. money borrowed from someone (debt) and owner’s funds (equity). It’s often noticed that optimal financing mix or the required financing mix is different from the current one. When this happens, the first thing a finance manager does is to analyze how to reach the optimum level.