

# FINANCIAL MANAGEMENT

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# ➤ Introduction to Financial Management



## Definitions

**Finance:** According to **oxford dictionary**, the word 'finance' connotes 'management of money' i. e. earning, spending, saving and investing money.

Thus, everyone – individual, business firm, government – is concerned with finance.







## ➤ Definition of Financial Management

**Raymond J. Chambers**

[ Financial Management, Law Book Company, 1967]

“Financial Management comprises the forecasting, planning, organising, directing, co-ordinating and controlling of all activities relating to acquisition and application of the financial resources of an undertaking in keeping with its financial objective.”

## ➤ **Functions of Financial Management**

### **1) BASIC FUNCTIONS**

- A) Procurement of funds
- B) Effective utilisation of funds

### **2) MANAGERIAL FUNCTIONS**

- A) Financial Planning
- B) Financial Control
- C) Financial Decisions





# Objectives of Financial Management



1. **Profit Maximisation-** Profit is barometer for measuring efficiency and economic property of any business.
2. **Wealth Maximisation-** Maximisation of wealth means maximising shareholders or stockholders wealth.





## ➤ Importance of Financial Management

1. Financial planning & successful promotion of enterprise.
2. To acquire funds as and when required at minimum possible cost.
3. Proper use of allocation of funds.
4. To take sound financial decisions.
5. Improving the profitability through financial control.
6. Increasing the wealth of investors.



# A CHIEF FINANCIAL OFFICER (CFO)



A Chief Financial Officer is he who handles financial management of company. He helps to procure funds needed in such a way that the risk, cost and control considerations are properly balanced. He also ensures optimum utilisation of resources.

# Functions of A Chief Financial Officer

- 1) Estimating the requirement of funds
- 2) Capital structure
- 3) Capital expenditure and working capital management
- 4) Dividend decision
- 5) Evaluation financial performance
- 6) Financial negotiation
- 7) Cash management
- 8) Keeping touch with stock exchange



# SCOPE OF FINANCIAL MANAGEMENT

- 1) Organization
- 2) Shareholders
- 3) Lenders/ creditors
- 4) Employees
- 5) Customers
- 6) Public
- 7) Government
- 8) Management
- 9) Others departments
- 10) Successful start- up
- 11) Smooth running
- 12) Goal
- 13) Financial decisions
- 14) Investments decision
- 15) Dividend decision



# Limitations of Financial Management

- 1) Employees
- 2) Management
- 3) Public
- 4) Customers
- 5) Suppliers
- 6) Society
- 7) Creditors
- 8) Shareholders





