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# FINANCIAL MANAGEMENT



# **INTRODUCTION**

**Finance is the life blood and nerve Centre of a business. It is very essential for smooth running of the business. It is needed to promote or establish the business.**

# MEANING

**Financial Management** refers to the management of flow of funds in the firm. It deals with the financial decision making of the firm. It is mainly concerned with timely procurement of adequate finance from various sources and its utmost effective utilization for the attainment of organizational objectives.

# Definition

**According to Solomon, “Financial Management is concerned with the efficient use of an important economic resource, namely capital funds.**

# Functions

- \* **Financial Planning**
  - \* **Raising of Financial Resources**
  - \* **Management of Financial Resources**
  - \* **Control of Financial Resources**
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# OBJECTIVES

## **(i) Basic Objectives**

- \* Profit Maximization**
- \* Wealth Maximization**

## **(ii) Other Objectives**

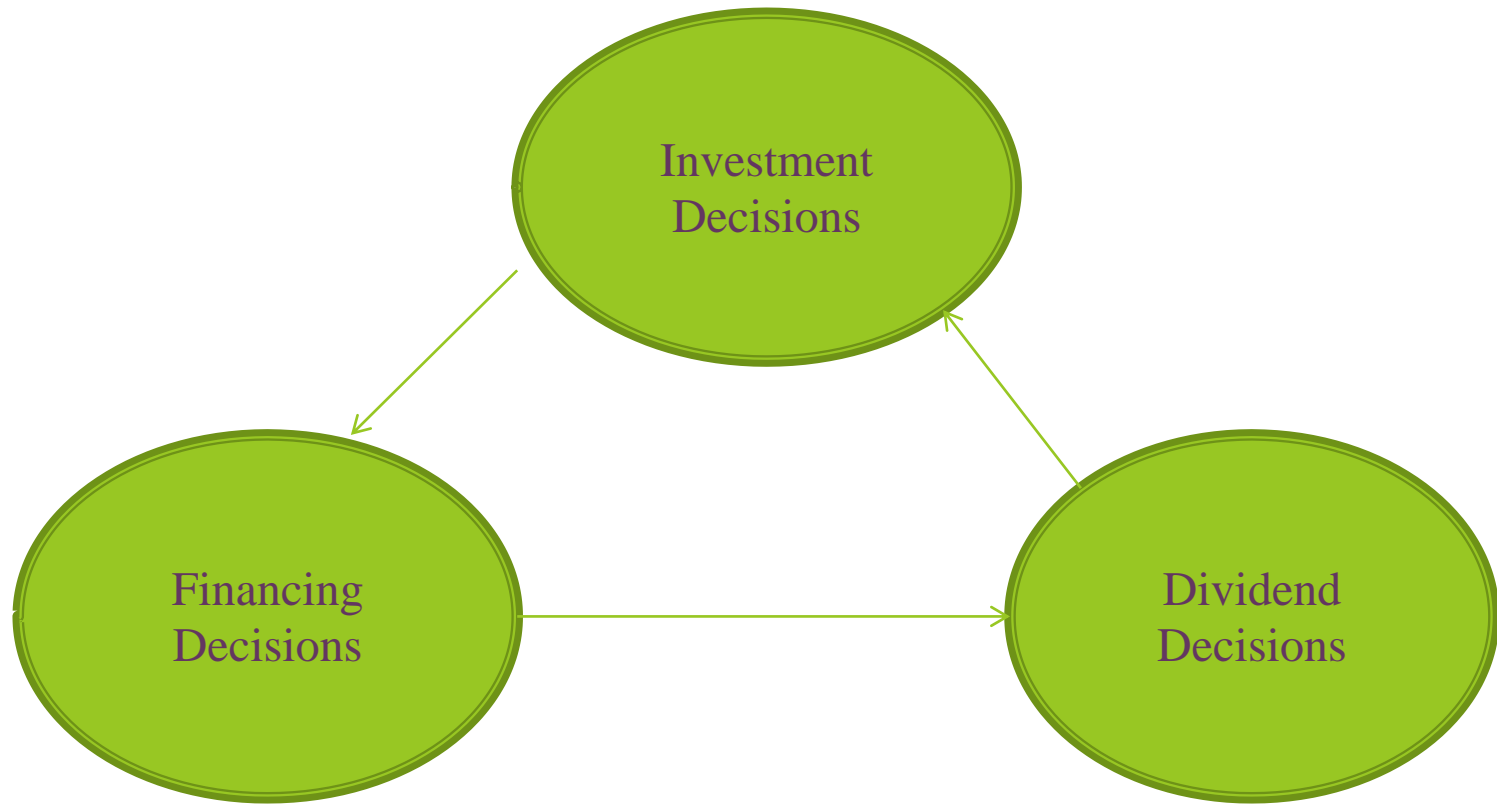
- \* Return maximization**
  - \* Manage Risk**
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# **Basic Financial Decisions**

- 1. Investment Decisions**
- 2. Financing Decisions**
- 3. Dividend Decisions**



# Interrelation of Financial Decisions



# **Inter relationship between Financial Decisions**

**The investment, financing and dividend decisions are interdependent. One decision influences the another. Dividend decision also influences financing and investment decisions and vice versa.**

# **Approaches to Financial Management**

- \* Traditional Approach**
- \* Modern Approach**

# **Traditional Approach**

**Under the traditional approach, the scope of financial management was limited to the procurement of funds on the most suitable terms.**

# Modern Approach

**Modern approach includes efficient utilization of funds. It covers financial planning, raising of funds, evaluation of investment proposals, allocation of funds, financial control etc.**

# Functions of Financial Management

- \* **Estimating Financial Needs**
  - \* **Identification of Sources of Funds**
  - \* **Developing an optimum Capital Structure**
  - \* **Capital Budgeting**
  - \* **Working Capital Management**
  - \* **Dividend Policy**
  - \* **Mergers and Acquisitions**
  - \* **Financial Analysis**
  - \* **Cost Volume Profit Analysis**
  - \* **Financial Control**
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