Section Two
Chapter One
Nature of Financial Management

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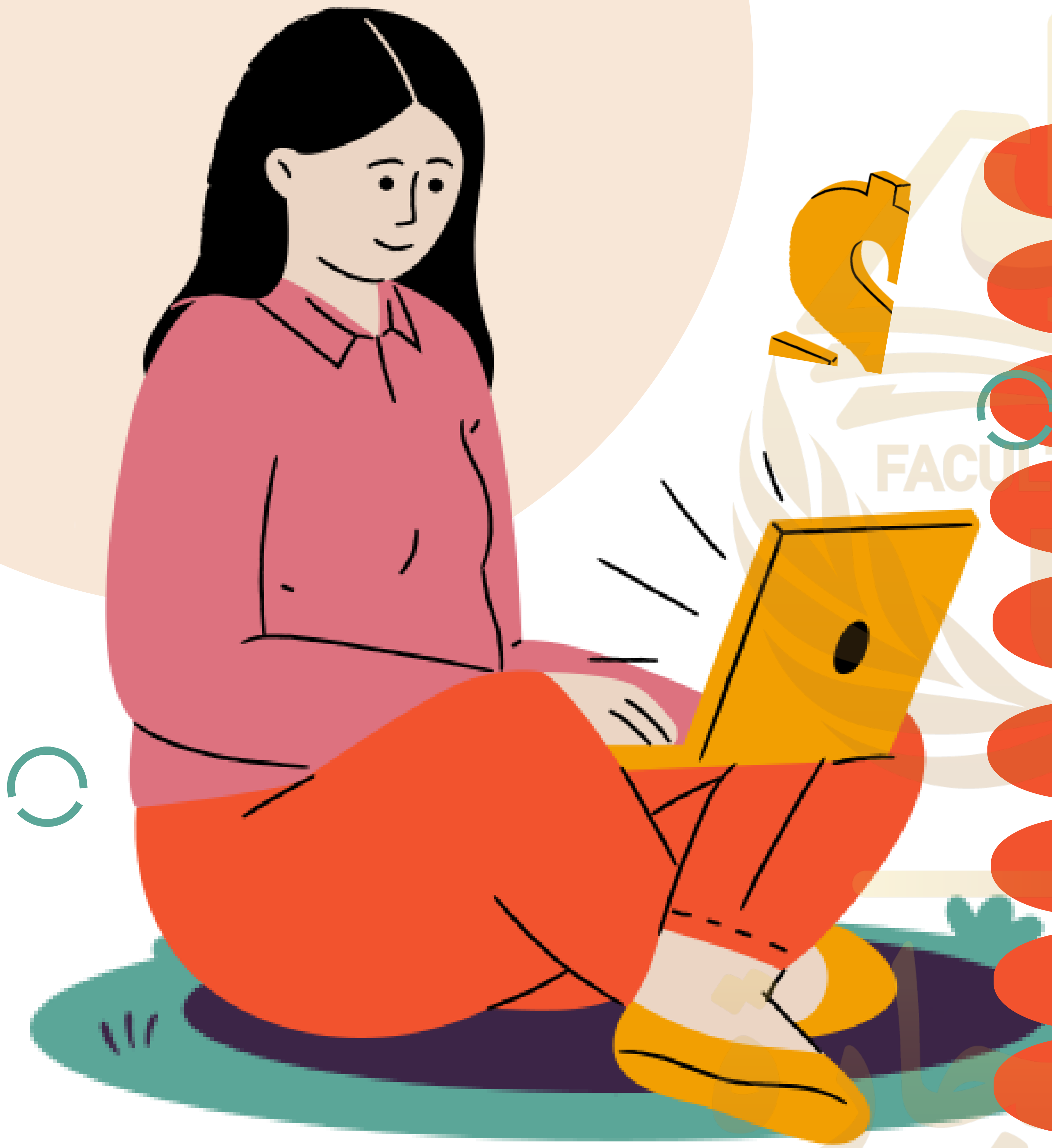
Importance of Financial Management



(1) Financial Planning

(2) Safeguarding / Protecting Funds

(3) Allocation of Funds

(4) Investment Opportunities

(5) Financial Decision

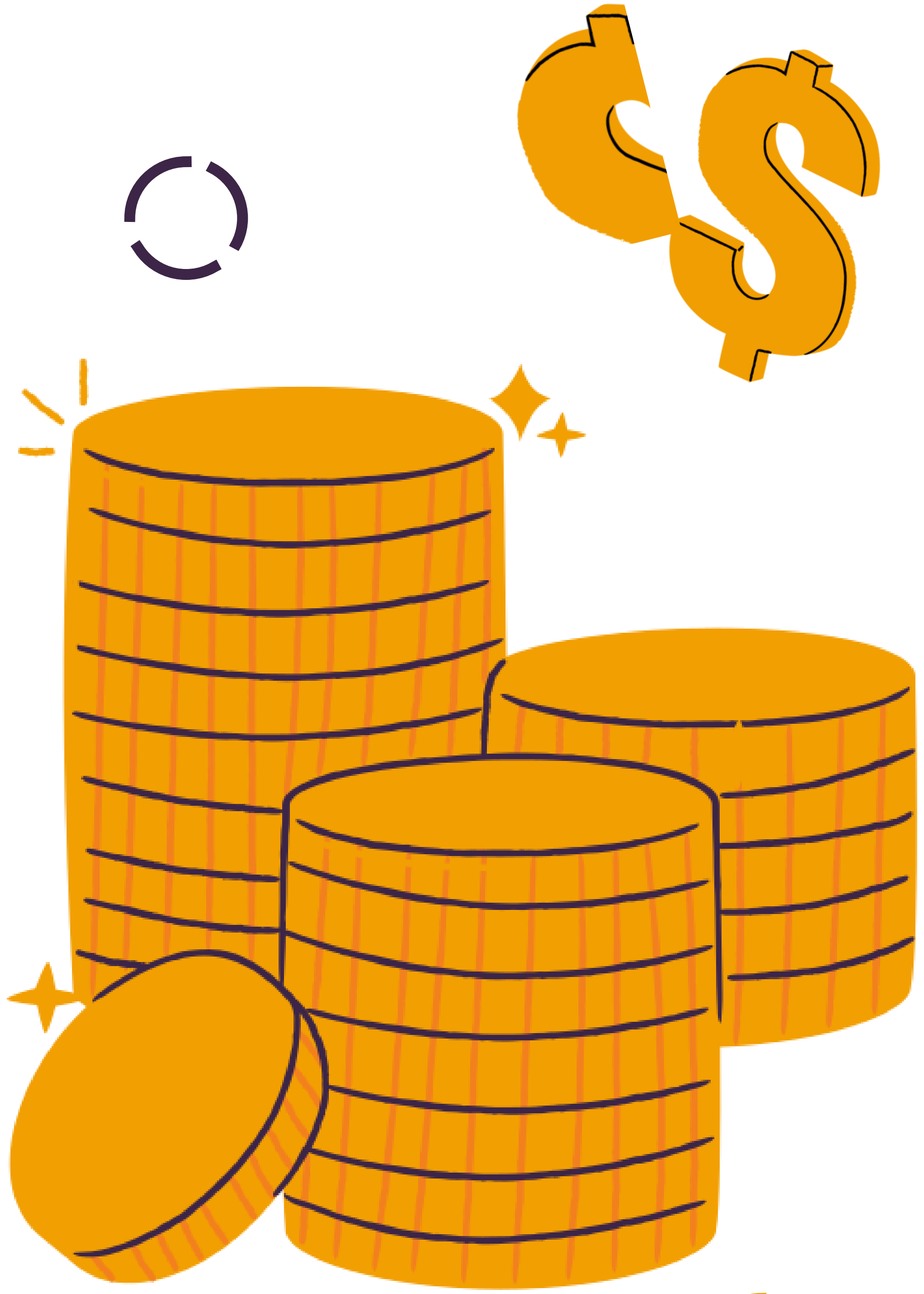
(6) Economic Growth and Stability

(7) Improve Standard of Living

(8) Valuation of a Company

(9) Tax Planning

(10) Capital Reserves



Importance of Financial Management

Financial management is important in construction industry, civil industry, food industry, tourism industry, business and corporate environment.

(1) Financial Planning : Financial management its importance is financial planning. It decides each financial necessity associated with business concern. Also, financial planning associates need to take prompts and correct measures instead of worries in later stage of financial management life-cycle of a company.

Importance of Financial Management

(2) Safeguarding / Protecting Funds :

Importance of financial management include protecting finance towards achieving business goals. One has to measure the areas where funds are required and allocate it well in all the areas for smooth functioning of business.

(3) Allocation of Funds :

When making proper use of allocated finance to assets enhance the operational proficiency for the business concern.

Importance of Financial Management

(4) Investment Opportunities : There are various investment opportunities you can explorer like investing in stocks, gold, mutual funds, property, lands, etc. You can study about investing in detail to know the risk and return of investment. Depending upon your risk ability you can then choose the appropriate investment options.

Importance of Financial Management

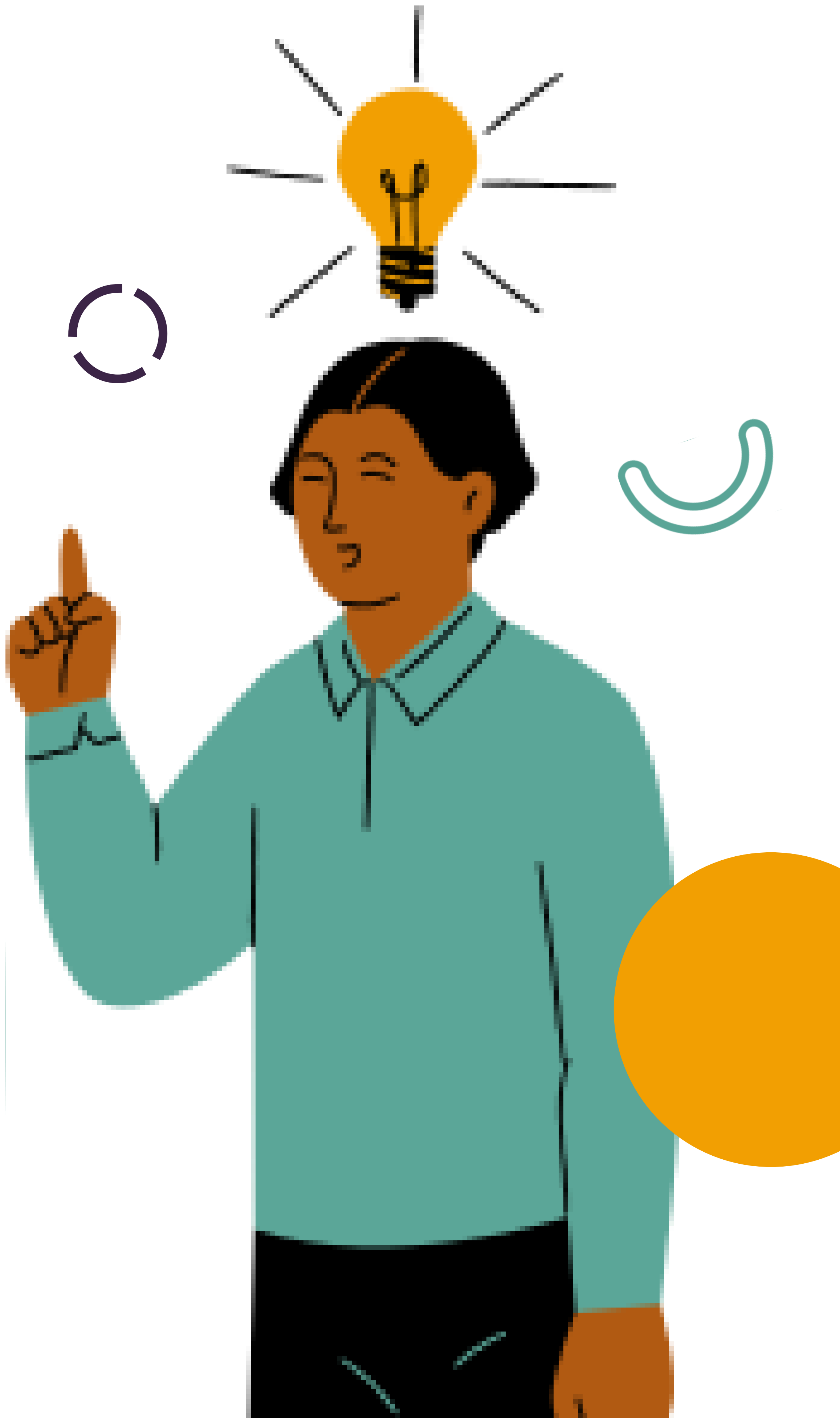
(5) Financial Decision : Financial selection might impact the whole business operation. Since it has an instant relationship with all the departments of a company.

(6) Economic Growth and Stability : Only way to ensure your financial stability is through economic growth and only option to ensure the same is through financial management.

Importance of Financial Management

(7) Improve Standard of Living : Once you have learned and taken good knowledge on financial management, this will not only provide you financial stability and peace of mind but also it will improve your standard of living.

(8) Valuation of a Company : Importance of financial management in an organization in the area of enlarging the variety of speculators and the business concern. Extreme point concerning of any business is that they will achieve maximum gain with greater efficiency . It may be related to increasing production or expanding business to other countries. A great management and financial specialists can assist in improving valuation of any company.



Importance of Financial Management

(9) Tax Planning : Your financial planning should also include your tax planning. When failing to plan your taxes appropriately, it will lead you spend more out of your pocket.

(10) Capital Reserves : Money have always been imaginable and possible really when the business earning rises to higher levels and expansion arises. Here is an importance of financial management in success of business by ways of expanding as well as creating capital reserves in the book of company's accounts.

Objectives of Financial Management:

✓ Certain specific and highly impactful objectives that financial managers aim to attain are:

(1) Assessing Capital Needs : Successful businesses have clearly defined short-term and long-term financial requirement projections in place.

Objectives of Financial Management:

Second

- ✓ Determination of Capital Structure : A company's capital structure is the framework that determines decisions such as debt-equity ratio in the short as well as long term.

Third

- ✓ Creation of Effective Financial Policies : There is a need to frame efficient financial policies that govern cash control, the lending and debt utilization processes and so on.

Objectives of Financial Management:

Forth

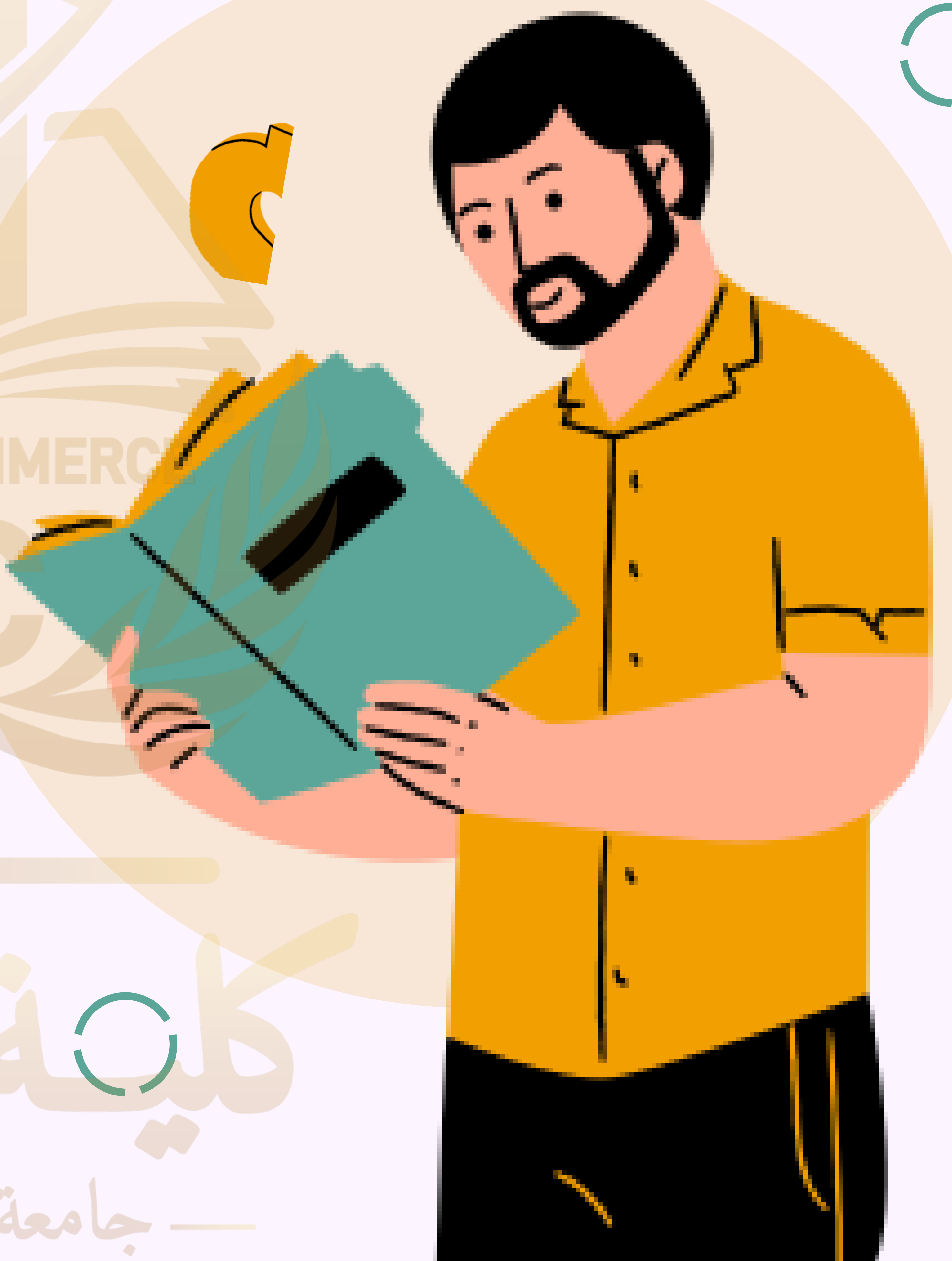
- ✓ Resource Optimization : Great financial managers are able to navigate through different scenarios by making optimum use of the available financial resources. This would reduce the cash burn and increase the cash churn to generate maximum ROI.

Fifth

- ✓ Profit Maximization : It is one of the primary objectives of financial management goals. The ultimate goal of a business or an individual is profit maximization. Profit maximization is a state where Marginal Cost (MC) is equal Marginal Revenue (MR).

Functions of Financial Management:

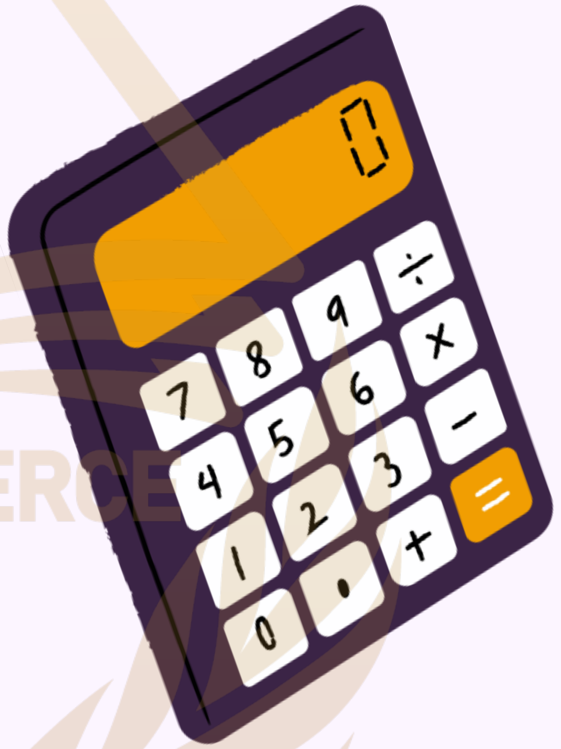
1. Capital adequacy estimate
2. Assess the capital composition
3. Choose the right funding source option
4. Cash Management
5. Financial Control
6. Competencies of the CFO



Functions of Financial Management:

Apart from having the stated objectives, there are five functions in the implementation of financial management by the Company, namely:

(1) Capital adequacy estimate : The existence of financial management allows financial managers to predict the Company's capital adequacy. Appraising the estimate accordingly can increase the Company's revenue capacity.



Functions of Financial Management:

(2) Assess the capital composition:

When the Company has estimated, the next step is to determine the capital structure. This stage requires an analysis of the ratio of debt to equity in the short or long term.

(3) Choose the right funding source option:

Apart from the equity capital owned by the Company, there are several choices of sources of funding from third parties that the right funding source can obtain. External source options include the issuance of shares, bank or financial institution loans, and debt securities.

Functions of Financial Management:

(4) Cash Management : Financial management also has an active role in the Company’s cash management efforts. Cash is essential because that can use it to pay salaries, monthly bills, liabilities, spending on raw materials, and so on.

(5) Financial Control : The last function of financial management is to control the Company’s finances. Many ways can be done as a control effort, such as financial forecasting, cost and profit control, ratio analysis, etc.

Functions of Financial Management:

6- Competencies of the CFO

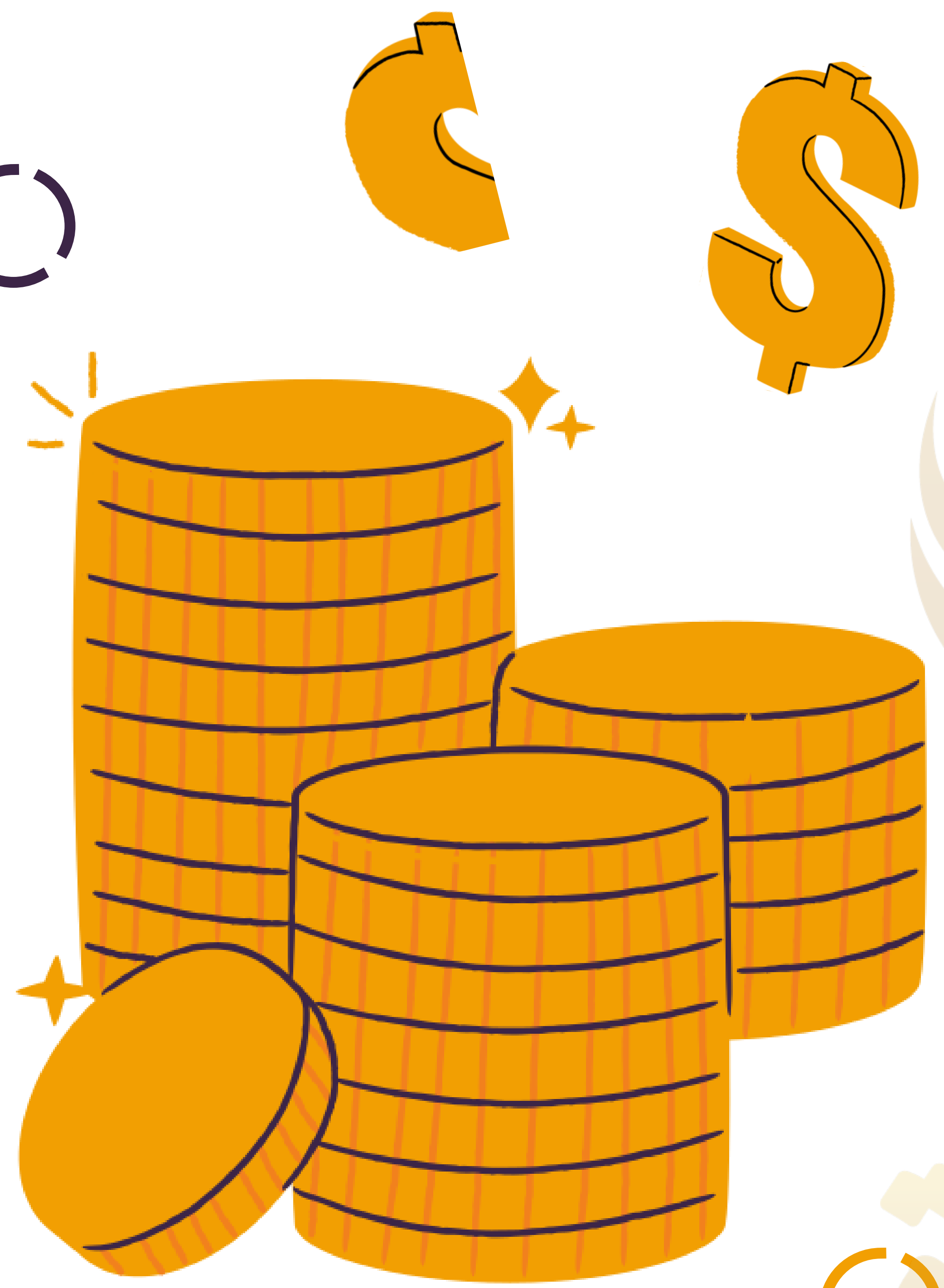
In order to play his expected strategic role in achieving the objectives of the project and thus maximize the wealth of the owners, a professional CFO must possess four types of competencies that can be summarized as follows:

(1) Business Competencies

(2) Financial Competencies

(3) Change Competencies

(4) Personal Credibility



True & False Questions:

1.If you are bad at managing your finance and saving then you get opportunities to explorer investment.

Answer: False

2. Depending upon your risk ability you can then choose the appropriate investment options.

Answer: True

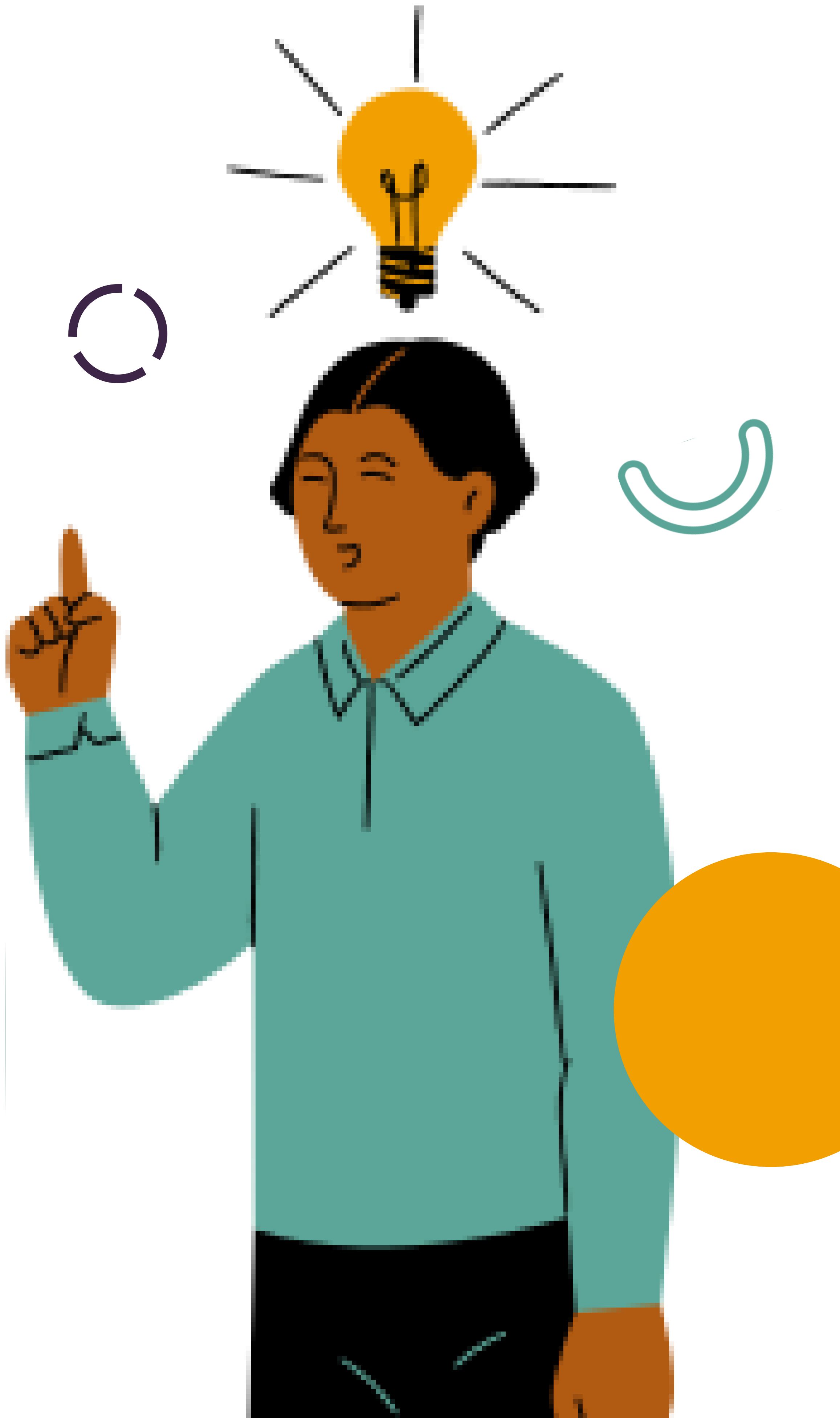
True & False Questions:

3. Financial selection might impact the whole business operation. Since it has an instant relationship with some of the departments of a company.

Answer: False

4. Proper financial planning will ensure your economic growth.

Answer: True



True & False Questions:

5. Once you have learned and taken good knowledge on financial management, this will provide you financial stability and peace of mind.
Answer: False

6. Financial managers need to evaluate factors such as cost of current and fixed assets, cost of marketing, need for buffer capital, long-term operation and human resources cost etc.
Answer: True

True & False Questions:

7. A company’s cash structure is the framework that determines decisions such as debt-equity ratio in the short as well as long term.

Answer: False

8. There is a need to frame efficient financial policies that govern cash control, the lending and debt utilization processes and so on.

Answer: True

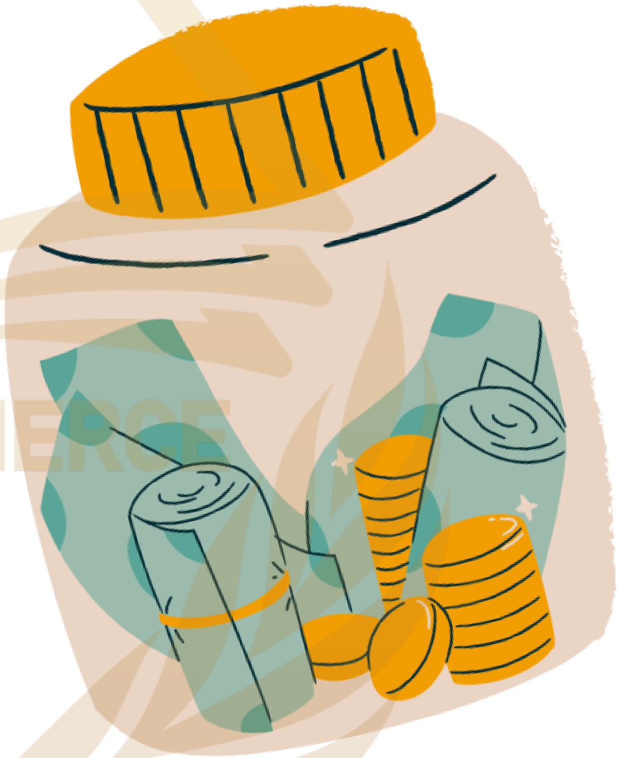
True & False Questions:

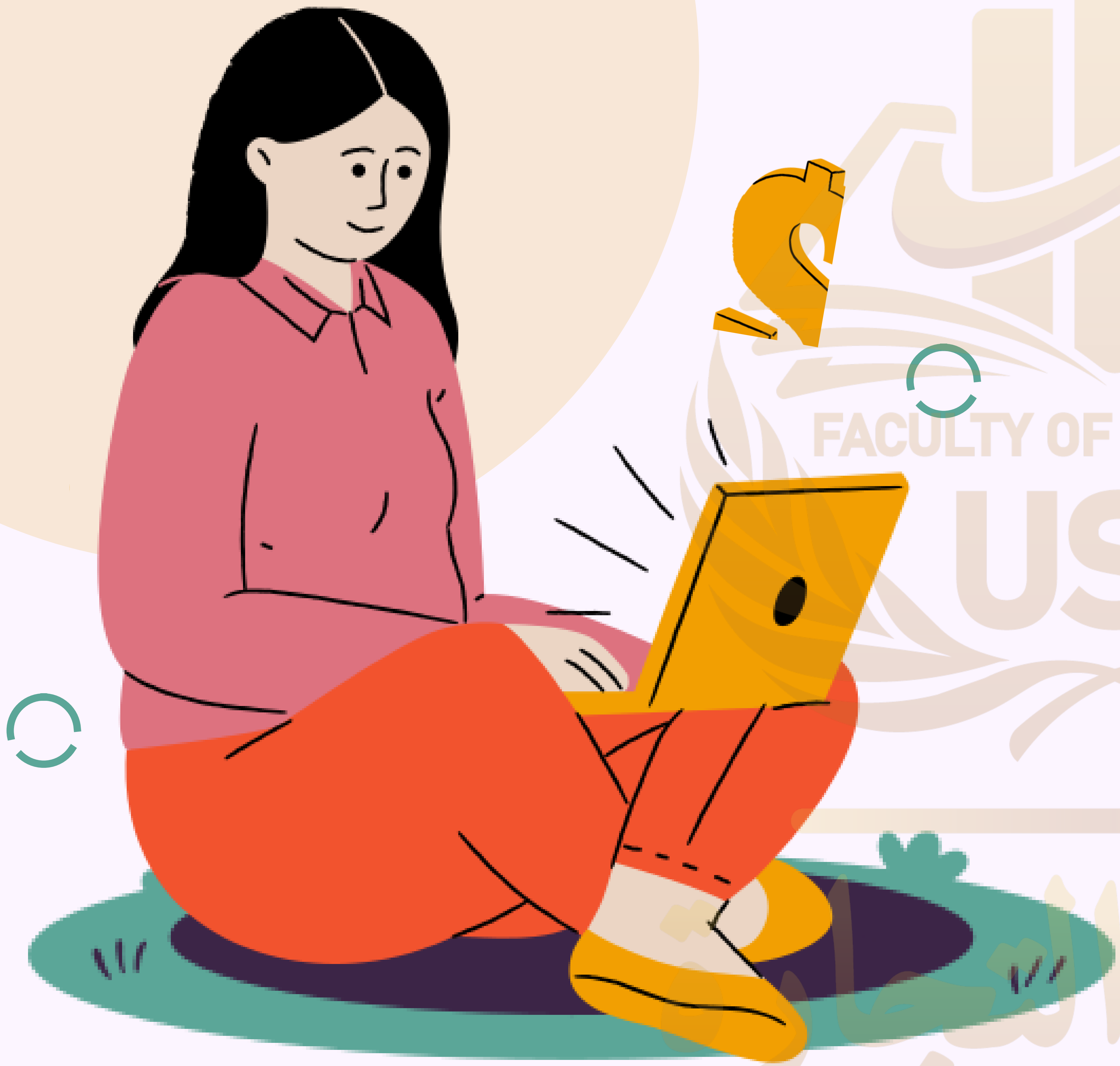
9. Great financial managers are not able to navigate through different scenarios by making optimum use of the available financial resources.

Answer: False

10. The ultimate goal of a business or an individual is profit maximization.

Answer: True





Thank For Your Good Listening!