economical use of resources.

(VI) Enable managers to account for their use of resources.

(VII) Establish a supportive control environment.

(VIII) Enable the organization to comply with authorities and safeguard its assets.

depends upon the assessment as to how profitably a company is growing to operate in the future.

✓ The capitalization rate reflects the liking of the investors for the company.

✓ Therefore, maximization of shareholders wealth as an objective of financial management implies that the financial decisions will be taken in such a way that the shareholders receive the highest combination of dividend and the increase in market price of the share

3. Other objectives:-

Besides the above basic objectives, the following are the other objectives of financial management:

(i) Ensure that managers have support for decision making.

(ii) Ensure the availability of timely, relevant and reliable information, both financial and non-financial.

(iii) Contribute to managing the risks to the organization.

(iv) Help the organization make efficient, effective and ~~reliable information, both financial and~~

Profit maximization fails to take into account the social considerations.

(iv) The term 'profit' does not speak anything about the period of profit whether it is short-term profit or long-term profit.

2. Wealth Maximization:- It is commonly agreed that the objective of a firm is to maximize value or wealth. This objective is generally expressed in terms of maximization of the value of a share of the firm. The ~~mark~~ market price of the ~~a~~ share reflects this present value. Value of a firm is represented by the market price of the company's common stock.

Prices in the share markets are largely affected by many factors like general economic outlook, outlook of particular ~~for~~ company, technical factors and even mass psychology.

Normally this value is a function of two factors ~~like general economic~~ as given below:

(I) The anticipated rate of earings per share of the company.

(II) The capitalization rate.

The likely rate of earnings per shares (EPS)

1. Profit Maximization:- Profit earning is the main aim of every economic activity. A business being an economic Institution earn profit to cover its costs and provide funds for growth. The profits earned by the firm measures the amount of success made by the firm.

It is a limited objective. If profits are given undue importance then problems may arise as discussed below.

(I) The term profit is vague and it involves much more contradictions. It is not clear in what exact sense the term profit is used. Whether it is accounting profit or Economic profit or profit after tax or profit before tax.

(II) Profit maximization has to be attempted with a realization of risks involved. A positive relationship exists between risk and profits. so both risk and profit objectives should be balanced.

(III) Profit Maximization does not take into account the time pattern of returns. The profit maximization objectives fails to provide any idea regarding the timing of expected cash earning. The choice of a more worthy project lies in the study of time value of future inflows of cash earnings. It ignores the fact that the rupee earned today is more valuable than a rupee earned later.

resources to carry out its operations, and that it uses these resources with due regard to economy, efficiency and effectiveness.

(V) Strengthen accountability:- Financial management is essential for an organization to understand and demonstrate climate that fosters the achievement of financial resources entrusted to it and what it has accomplished with them.

(VI) Provide a supportive control environment:- Financial management contributes to promoting an organizational climate that fosters the achievement of financial management objective a climate that includes commitment from senior management, shared values and ethics communication and organizational learning.

(VII) Comply with authorities and safeguard assets:- Financial management is essential to ensuring that an organization carries out its transactions in accordance with applicable legislation, regulations and other executive orders; that spending limits are observed; and that transactions are authorized.

Objectives of financial Management:-

Efficient financial management requires the existence of some objectives, which are as follows.

- ✓ To avail of business opportunities.
- ✓ Separation of ownership and management.

Nature, Scope or Functions of Financial Manange-ment:-

(I) Provide support for decision making:- Financial management provides managers with the information and knowledge they need to support operational decisions and to under-stand the financial implications of decisions before they are made.

(II) Ensure the availability of timely, relevant and reliable financial and non-financial inform-ation:- Financial management gives managers the information that either forms the basis for calculating financial informations, ~~and~~ for or ~~loss~~ is used for management control and accountability purposes.

(III) Manage Risks:- Financial management enables an organisation to identify, assess and consider the financial ~~management gives managers the information that either forms the basis for calculating~~ financial consequences of events that could compromise its ability to achiev-e its goals and objective result in signifi-cant loss of resources.

(IV) Use resources efficiently, effectively and economic-ally:- Financial management is necessary to ensure that an organisation has enough

(iii) Management of resources: This component of financial management focuses on managing and directing the organization's resources economically and efficiently to achieve corporate objectives. It includes strategic planning analysis and support for decisions.

Importance of Financial Management:-

Financial Management is required for the establishment of every business organisation. With the growth in activities, financial needs also grow. Funds are required for the purchases of land and building, machinery and other fixed assets. Besides this, money is also needed to meet day to day expenses of the business. For instance, purchase of raw material, payment of wages and salaries, electricity bills, telephone bills etc.

As all of we know that production continues in anticipation of demand. Expenses continue to be incurred untill the goods are sold and money is recovered.

The following are the three important factors that have increased the importance of corporate Finance/ Financial Management:

- ✓ The increase in size and influence of the business enterprizes.
- ✓ To meet contingencies.
- ✓ Wide distribution of corporate ownership,
- To promote sales.

Financial Management

Financial Management is the part of management process which is concerned with the planning and controlling of firm's financial resources and making the most efficient use of such funds from most suitable source and making the most efficient use of funds.

According to weston and Brigham "Financial Management is an area of financial decision making, harmonising individual motives and enterprise goals".

Essential Elements of financial Management:-

The following are the three essential elements of financial management:

(I) Risk management and control: It is essential that an organisation identify the risks it faces (anything that could interfere with its ability to achieve its established objectives); and that it establish a framework designed to manage and control those risk.

(II) Information: It is essential that the organization establish procedures to manage and protect the integrity of its data and to produce the type of information needed by managers to conduct their business and account for their responsibilities