**Functions of Financial Management**

1. **Investment decision :-** Identification of assets which require investment.

* Current assets-Working capital
* Long term assets - Capital budgeting

1. **Financing decision:-** It contains determining proper asset mix of the firm.

* Capital structure+Financing
* Capital structure = Debt + Equity Capital
* Finance manager has to determine the proportion of debt and equity to be used while taking the financing decision.

**3. Dividend Policy decisions :-** Can either choose to retain the business profits for future or may decide to distribute them among various stake holders

**4. Liquidity decisions :-** Proper administration of current assets of a firm.

* It is closely related to working capital decisions.

**Importance of Financial Management:-**

1. Controlling Function
2. Aid to Managerial Decision areas
3. Wealth Maximisation
4. Acts as Analytical tool
5. Administrative in Nature
6. Centralized
7. Base for Managerial Decisions
8. Performance Measure

**Objectives of Financial Management:-**

1. Profit Maximization :- Traditional theory also called as “Cashing per share maximization”

* Profit Maximization happens when Marginal Revenue=Marginal Cost
* When there is wide gap between MR and MC
* MC is lesser than MR
* It is present in monopoly and perfect competition market