**INTRODUCTION**

**Whats is Finance Department**

Finance Department is the part of an organization that is responsible for acquiring funds for the firm, managing funds within the organization and planning for the expenditure of funds on various assets. It is the part of an organization that ensures efficient financial management and financial control necessary to support all business activities.

## Roles and Responsibilities of a Finance Department

The contributions of finance department to any company and how these contributions positively affect organizational performance will greatly depend on factors such as the extent to which the owner/ manager is involved in his company. The roles and responsibilities of a finance department include but are not limited to:

### a. Bookkeeping

This is the most basic function of the finance department. It involves the day-to-day recording, analysis and interpretation of a company’s financial transactions. This will include the tracking of all expenses (purchases, payments etc.) and sales of finished products. In some startup companies, this role is often carried out by a bookkeeper who might be replaced by more specialized payables and receivables clerks as the company grows or expands its operations.

### b. Management of company’s cash flow

It is the duty of the finance department to manage all cash flows into and out of a company and ensure that there are enough funds available to meet the day-to-day running of the company.  This area also encompasses the credit and collections policies for the company’s customers, to ensure that vendors and creditors are paid correctly and on time; and that the company is also paid correctly and as when due.

### c. Budgets and forecasting

In this function, the finance department works with managers to prepare the company’s budgets and forecasts and also give feedback with regards to the financial standing of the company. This information can be used to fulfil the cash needs of each department, plan company staffing levels, plan asset purchase and expansions at minimum cost before they become necessary.  The finance department can also use past records from respective departments to make better budget and forecast over long-term and short-term time horizons.

### d. Advising and sourcing longer-term financing

It is the duty of the finance department to advise companies on the best financing mix that could yield the company the best profit and also help them source longer-term financing at the lowest cost such that there is a profit level of liquidity. Some of the many varied paths a company can source funds to finance their business as discussed in one of our articles “10 Most Common Ways to Finance Your Business” include bank credit or private lender debt or, share issues to private investors (where applicable).

### e. Management of Taxes

Running a company involves paying tax, and it is the duty of the finance department to handle tax issues. This includes creating good corporate relationships with government by remitting PAYE (Pay As You Earn) to the relevant authority, and ensuring that implementation of tax matters are done within the framed policies.

### f. Management of Company’s Investments

Apart from analyzing and selecting new investments, it is also the duty of the finance department to manage company’s existing assets. The finance department should be concerned with current assets apart from fixed assets. The company’s working capital needs to be managed efficiently in such a way as to maximize profitability relative to the amount of funds tied up since it has more implication on the firm liquidity than its fixed asset.

### g. Financial Reporting and analysis

Financial reporting and analysis is the function that takes raw accounting entries and transforms them into meaningful, usable and comparable financial statements. The finance department contributes to organizational growth by measuring and reporting on regular bases, key numbers that are vital to the success of the company. This will likely include a summary of all funding sources, expenditures and reserves available for future use (excluding those already committed and budgeted for current period) some non-financial information.  And are usually communicated to managers in a logical and understandable format.

### h. Assist managers in making key strategic decisions

The finance department provides company management with information necessary to make strategic decisions such as which markets or projects to pursue, the payback periods for large capital purchases, decision on what should be given out as dividend out of the company’s earnings and what to plough back into the business, the best financing mix that could yield the company the nest profit, decision on how to allocate funds to investment etc., thus, making sure that money is being used in the best way.

## Objectives of Financial Management

* Profit maximization happens when marginal cost is equal to marginal revenue. This is the main objective of Financial Management.
* Wealth maximization means maximization of shareholders' wealth. It is an advanced goal compared to profit maximization
* Survival of company is an important consideration when the financial manager makes any financial decisions. One incorrect decision may lead company to be bankrupt.
* Maintaining proper cash flow is a short run objective of financial management. It is necessary for operations to pay the day-to-day expenses e.g. raw material, electricity bills, wages, rent etc. A good cash flow ensures the survival of company.
* Minimization on capital cost in financial management can help operations gain more profit.
* It is vague :- There are several types of profits before interest, depreciation and taxes, profit before taxes, profit after taxes, cash profit etc

**IMPORTANCE OF FINANCE DEPARTMENT**

I Finance plays a very important role in the day-to-day lives of each individual or corporation. It is a very wide term and it can be said to be the study of the science of managing funds. Usually finance includes the areas of public, personal and business finance.

It includes things related to lending, spending and saving money. An important aspect of finance is that individuals and corporations deposit money in a financial institution, especially banks, who in turn lend out money and charge an interest for their services.

**Corporate Finance**

Corporate finance deals with financial decisions which an organization makes, whether it's investments, analysis of credit, selling of assets or products or acquiring assets. Maximizing corporate value and at the same time managing risks associated with investing in a particular product or project is the main aim of corporate finance.

Moreover, corporate finance also studies the short-term and long-term implications of a decision and looks into matters related with dividends to shareholders' debt or equity. Matters related to taxes which a corporation has to pay are also taken into consideration when dealing with corporate finance.

**Business**

Finance for a business can't be undervalued and it can be regarded as the lifeline of a business which is required for its well-being. It acts as a lubricant helping to keep the business running.

Whether you have a small, medium or large business, you will always need finance, right from promoting and establishing your product, acquiring assets, employing people, encouraging them to work for the development of your product and creating a brand name.

In addition to that, a current business may need finance for expansion or making changes to its products as per the market requirements.

**Finance Department in a Company**

This department is of utmost importance as it is responsible for financial planning, thus ensuring that adequate funds are available for achieving the objectives of the organization. Moreover, it is the finance department which makes sure that the prices are controlled, besides looking after the cash flow and controlling profitability levels.

One of the most important jobs of the finance department of a company is identifying the necessary financial information (like return on assets, return on capital employed or the net profitability which reveal the outcome of efforts made by the company and its employees) which should be revealed to managers so that they make informed decisions and judgments.

The department is also responsible for making financial documents and preparing the final accounts so that they can be presented in the annual general meetings of the company.

**Personal Finance**

Personal finance budgeting is an important part of your long-term plans to gain financial stability, especially after retirement. You need to have a clear idea of what you want in future such as the amount of money you need after retirement, the location of a place you live in, etc. You need to have a plan and goal of translating these ideas into reality.

You also need to consider the things you have purchased in the past and the kind of things which you will purchase later on. This is an important step as this reflects that you will come up with a retirement plan for the future. You must be capable of identifying the good as well as bad choices you make.

While thinking of a long-term plan, budgeting your savings becomes an important part of personal finance. Savings would help you to make investments in the future so that you have a secure life.

But then, having said that, you also need to take care to keep your expenses to the minimum, which is one of the most important personal finance tips which you should use. Some of the most common expenditures like those on electricity and water should be reduced.

Financial Planning in Tune with Economic Conditions

Planning involves insight into the economic condition of your country and its future. Be it a developing or developed country, finance can be used as a tool to shape a country's economic well-being.

For developed nations it can help to stabilize the growth at the maximum level, and for an underdeveloped economy it can change the face of overall financial condition by effectively applying the tools of finance.

Moreover, personal finance should also be planned looking at the overall economic condition of the country. If the country is going through an inflationary phase it's better to save more and spend less, but if the economy is in the deflationary phase it is advisable to invest and do productive expenditures.

**FUNCTIONS OF FINANCE DEPARTMENT**

1. Treasury management: accounting and finance department sets up treasury management policy to be adopted by all who come in contact with cash or cash equivalent. Included in the treasury management are things like the level of risk that can be assumed by the firm at any point in time. The treasury functions are usually managed by the assistant finance manager while the finance manager or the chief financial officer handles the financial accounting aspects.

Ensuring compliance with relevant laws: the business world that we now live in constantly changes in the bid for us to make things better. The fact that most small businesses don’t have dedicated lawyers or attorneys in their payroll makes it imperative that the accounting department will keep tab with relevant business related laws.

Inventory management and control: inventory control and management is within the purview of the accounting and finance department. No other department is better equipped to manage and control the inventory of a small business.

Writing accounting policy and procedure manual: accounting policy and procedures manuals are living documents that directs finance and accounting transactions of the business as a whole. This manual has to be approved by top management.

**CONCLUSION**

There are still some other strategic finance functions as the business grows bigger, however the focus is every business owner must build a Finance department that is a strategic partner for the overall fulfillment of the purpose of the business. Financial accountants maintain a business' balances and accounts. They keep the business records legal and financially stable.

Management accountants focus on forecasting. They have an exciting and forward-looking strategic role in many different types of organizations. They use various tools, such as ratio analysis and investment appraisal, to identify, measure and analyse the financial performance of a company.

Many CIMA-trained management accountants are at the heart of top businesses in a wide variety of roles, including financial analyst or finance director. They contribute to decision-making across the organisation. The analysis they provide is vital in taking a business forward.

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