

Lesson 1 ; INTRODUCTION TO FINANCIAL MANAGEMENT

MEANING OF FINANCIAL MANAGEMENT

- Finance may be defined as the art and science of managing money.
- It includes financial service and financial instruments.
- Finance function is the procurement of funds and their effective utilization in business concerns.

DEFINITION OF FINANCIAL MANAGEMENT

- The term financial management has been defined by Solomon, “It is concerned with the efficient use of an important economic resource namely, capital funds”. The most popular and acceptable definition of financial management as given by S.C. Kuchal is that “Financial Management deals with procurement of funds and their effective utilization in the business”.

FINANCIAL MANAGEMENT IS CONCERNED
WITH

- Financing Decisions
- Investment Decisions
- Dividend decisions

An Overview of FINANCIAL MANAGEMENT :

• **1. Financial Management and Economics:** Economic concepts like micro and macroeconomics are directly applied with the financial management approaches. Investment decisions, micro and macro environmental factors are closely associated with the functions of financial manager.

• **2. Financial Management and Accounting:** Accounting records includes the financial information of the business concern. Hence, we can easily understand the relationship between the financial management and accounting.

3. Financial Planning

- **4. Deciding the Capital Structure**
- **5. Selection of source of Finance**
- **6. Selection of pattern of investment**

OBJECTIVES OF FINANCIAL MANAGEMENT

- **1. Profit maximization**
- 2. Wealth maximization**

• Profit Maximization

- Main aim of any kind of economic activity is earning profit.

A business concern is also functioning mainly for the purpose of earning profit. Profit is the measuring

techniques to understand the business efficiency of the concern.

• Profit maximization consists of the following important features.

- **1. Profit maximization** is also called as cashing per share maximization. It leads to maximize the business operation for profit maximization.
- **2. Ultimate aim** of the business concern is earning profit, hence, it considers all the possible ways to increase the profitability of the concern.

Wealth Maximization

- **Wealth maximization is one of the modern approaches, which involves latest innovations and improvements in the field of the business concern. The term wealth means shareholder wealth or the wealth of the persons those who are involved in the business concern. Wealth maximization is also known as value maximization or net present worth maximization. This objective is an universally accepted concept in the field of business**

FUNCTIONS OF FINANCE MANAGER :

• 1. Forecasting Financial Requirements

- It is the primary function of the Finance Manager. He is responsible to estimate the financial requirement of the business concern. He should estimate, how much finances required to acquire fixed assets and forecast the amount needed to meet the working capital requirements in future.

• 2. Acquiring Necessary Capital

- After deciding the financial requirement the finance manager should concentrate how the finance is mobilized and where it will be available. It is also highly critical in nature.

3. Investment Decision

- The finance manager must carefully select best investment alternatives and consider the reasonable and stable return from the investment.

• **4. Cash Management**

- Present days cash management plays a major role in the area of finance because proper cash management is not only essential for effective utilization of cash but it also helps to meet the short-term liquidity position of the concern.

• **5. Interrelation with Other Departments**

- Finance manager deals with various functional departments such as marketing, production, personnel, system, research, development, etc.

Homework ; 1

1- FINANCIAL MANAGEMENT IS CONCERNED WITH :

- **Financing Decisions**
- **Investment Decisions**
- **Dividend decisions**

Explain more in details

- **2- Extract from the texts all terminologies that is related to Entrepreneurship**

And translated from english into Arabic **قم باستخراج كل المصطلحات وقم ترجمتها من الإنجليزية**
(الي العربية)

Send all your homework's to the following

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Financial Management