

Patrician College of Arts and Science

Department of Commerce

Financial management

Subject Code : CPZ5D

Odd Semester

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Financial management



“Financial management is the activity concerned with planning, raising, controlling and administering of funds used in the business.”



– **Guthman and Dougal**





Scope Financial Management

**Financing
Decisions**

**Investment
Decisions**

**Dividend
Decisions**



Investment Decisions:

Managers need to decide on the amount of investment available out of the existing finance, on a long-term and short-term basis.

They are of two types:

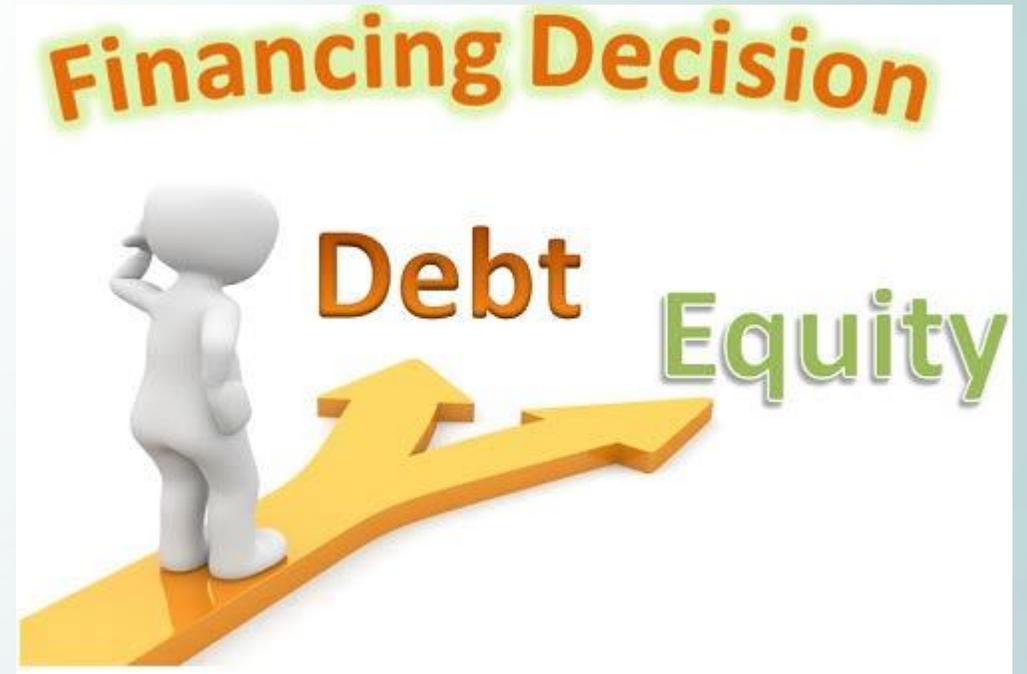
- 1. Long-term investment decisions
- 2. Short-term investment decisions



Financing Decisions:

Managers also make decisions pertaining to raising finance from long-term sources (called Capital Structure) and short-term sources (called Working Capital). They are of two types:

1. Financial Planning decisions
2. Capital Structure decisions



Dividend Decisions:

These involve decisions related to the portion of profits that will be distributed as dividend.

Shareholders always demand a higher dividend, while the management would want to retain profits for business needs.

Hence, this is a complex managerial decision.



importance of Financial Management

- **Helps organisations in financial planning**
- **Assists organisations in the planning and acquisition of funds**
- **Helps organisations in effectively utilising and allocating the funds received or acquired**
- **Assists organisations in making critical financial decisions;**

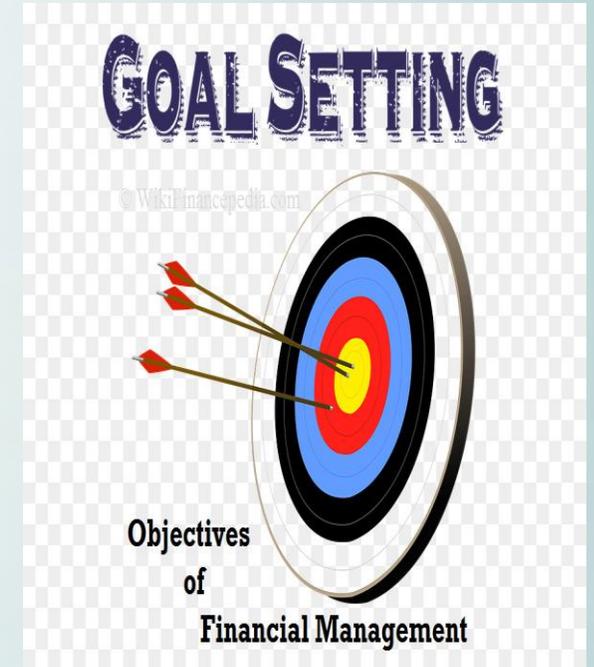


- Helps in improving the profitability of organisations
- Increases the overall value of the firms or organisations
- Provides economic stability
- Encourages employees to save money, which helps them in personal financial planning.



Objective of financial management

- Profit maximization
- Wealth maximization
- Proper estimation of total financial requirements
- Proper mobilisation
- Proper utilisation of finance
- Survival of company



- Maintaining proper cash flow

- Creating reserves

- Proper coordination

- Create goodwill

- Increase efficiency

- Reduce operating risks

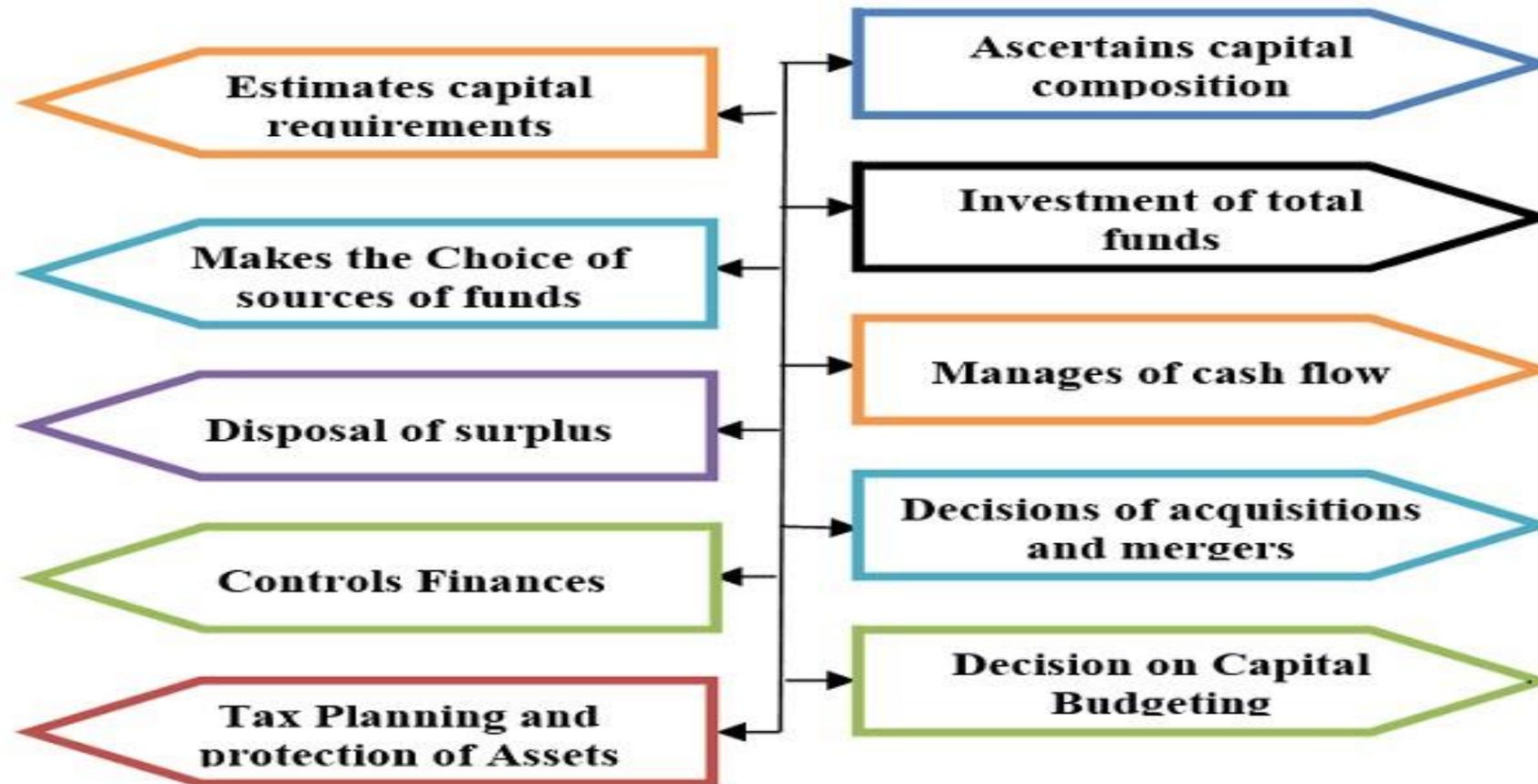
- Prepare capital structure

- Financial discipline

- Reduce cost of capital



10 Major Functions of Financial Management





Types of Financial Management:

Capital Budget Management

Capital Structure Management

Working Capital Management



1. Treasury and Capital Budget Management:

Capital budgeting is the planning procedure used to decide if a company's fixed assets, for example, new plant, new machinery; new research projects are worth of allocating funds through the organization capitalization structure (equity, debt or profit earnings).



2. Capital Structure Management:

In corporate finance, capital structure is the manner in which a company finances through a mix of debt or equity securities. Debt financing comes as bond issues, while equity comes from retained earnings or as a stock. Short-term debt financing, for example, working capital necessities is likewise viewed as a major aspect of the capital structure. Here financial management team is responsible for capital structure of a company's short-term debts, long-term debts, equities, preferred stocks and more

3. Working Capital Management:

Working capital management of an organization refers to managing bookkeeping methodology and accounting strategies intended to keep track of current assets, current liabilities, cash flow, inventory turnover ratio, working capital ratio and much more.





Thank you

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