Subject – Business Finance

Topic – Financial Management and its functions (Part-2)

Functions of Financial Management

Following are the main functions of Financial Management –

1. Determination of the financial needs – first function of the ~~f~~ financial management is to forecast ~~of~~ and to plan for financial needs. Financial management, refers to the procurement of funds and effectively managing and utilizing the same in business. ~~for~~ for determination of financial needs, financial manager keeps in the mind nature of business, span of possibility in future, possibility of risk, ~~and~~ economic conditions etc.
2. Financeing Decisions – This function of of financial management is related with sources of finance. for this purpose, financial manager determine the ratio of debentures and equity. The condition of debenture and equity is known as capital structure or capital leverage. for the collection of capital, service may be taken from underwriters.

3. Investment Decisions - This is also an important functions of financial management. Investment decision is also known as capital budgeting. It is relatate with the selection of long-term assets or projects. ~~...~~ For each investment, the financial manager must be aware of the financial management risk and projected return.

4. Dividend Decisions - The financial manager takes divided decisions, for taking decisions in respect of dividend, the factors to be consider include - availability of cash, trends of earnings, requirements of funds for the future, tax position of the shareholders etc. He tries to set balance between dividend retention and distribution.

5. Financial control - financial control is also an important function of a finance manager. The finance manager must develop tactics and ways to work of financial control of funds.

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