International Journal of Research and Review
www.ijrrjournal.com E-ISSN: 2349-9788; P-ISSN: 2454-2237

Review Article

A Review Paper on Financial Management and Financial Manager

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ABSTRACT

Without fund, organizational strength is not possible. Fund management in every business is very important function in a present commercial environment. Active and proficient fund management covers application and utilization of fund. Fund to be utilized in such a way to generate more revenues for the business. Sometimes, idol fund may create vilest condition of the business. Potential sources to be scrutinized for rise of fund. It is qualitative and prudent function of financial managers to take decision regarding how, when, what, how much fund to be utilized. Distribution of fund requires expertise, experience and qualification of financial professional, fund should be distributed in such a manner to meet financial obligation timely and accurately. It should be distributed as liquid based fund and capital based fund. Liquid based fund allocated to short term resources for meeting out of short term liabilities like meeting out of day to day expenses, payment of suppliers, tax payment to government authority and capital based fund allocated to long term resources for meeting out of long term obligation like repayment of debentures, equity share holders, long term loans etc.

Key words: Financial management, financial manager.

OBJECTIVES

Plan to utilize fund in such a way to maximize wealth of the organization. Directing of fund in such a manner to generate revenues timely with low cost as per decided goal of the organization.

What is Financial Management?

Financial Management means effective and efficient formation, administrating, organizing, pointing and regulating the financial transaction.

Vital Role of Financial Management

Financial management plays important role in every organization, first identify the goal of the organization and second maximize wealth of investors. It helps to management for taking financial decision. Fund to be invested in such a way no ideal or excess fund will be blocked. Financial manager first need to understand what are the risks associated with the business, understand nature of business, competitor associated with similar business.

Fund to be controlled by adhering and implementing effective financial system, each transaction is reviewed by financial managers. Growth of every organization is depending upon its internal control system. Review following points of finance: How to manage finance? How to control finance? When to control finance?

Finance manager decide to invest fund in following manner:

How much fund requires which is in capital nature?

Figure: 1 Showing Investment of Capital Nature

How much fund requires to meeting its current obligation?

Figure: 2 Showing required fund investment in materials and belongings for day to day operations.
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Finance is treated as life blood of every organization, without finance and financial management organization growth turns to motionless. Sound financial management guarantees success of the organization. Financial managers review the source of fund and according to that plan to raise the fund for the organization with low cost.

"Getting a good handle on your finances is one of your most crucial jobs as an entrepreneur. Yet, many business owners don't do the basic financial housekeeping that will give them greater control over their company and more peace of mind. [1]

Early warning system. [1]

A financial plan is different from your financial statements. Instead of looking at what's already happened, you make projections for the coming months, forecasting income and outlays. Your projections will act as an early warning system, helping you to plan for cash flow dips, identify financing needs and pinpoint the best timing for projects." [1]

Overcapitalization is a situation in which actual profits of a company are not sufficient enough to pay interest on debentures, on loans and pay dividends on shares over a period of time. This situation arises when the company raises more capital than required. A part of capital always remains idle. With a result, the rate of return shows a declining trend. The causes can be- [2]

High promotion cost- When a company goes for high promotional expenditure, i.e., making contracts, canvassing, underwriting commission, drafting of documents, etc. and the actual returns are not adequate in proportion to high expenses, the company is over-capitalized in such cases. Purchase of assets at higher prices- When a company purchases assets at an inflated rate, the result is that the book value of assets is more than the actual returns. This situation gives rise to over-capitalization of company. A company's floatation n boom period- At times company has to secure its solvency and thereby float in boom periods. That is the time when rate of returns are less as compared to capital employed. This results in actual earnings lowering down and earnings per share declining. Inadequate provision for depreciation- If the finance manager is unable to provide an adequate rate of depreciation, the result is that inadequate funds are available when the assets have to be replaced or when they become obsolete. New assets have to be purchased at high prices which prove to be expensive. Liberal dividend policy- When the directors of a company liberally divide the dividends into the shareholders, the result is inadequate retained profits which are very essential for high earnings of the company. The result is deficiency in company. To fill up the deficiency, fresh capital is raised which proves to be a costlier affair and leaves the company to be over- capitalized. Over-estimation of earnings- When the promoters of the company overestimate the earnings due to inadequate financial planning, the result is that company goes for borrowings which cannot be easily met and capital is not profitably invested. This results in consequent decrease in earnings per share. [2]

CONCLUSION

Rising of fund and utilization of fund is very important aspect of organization. Every organization should have planned to utilize fund in efficient manner.

"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 analyze 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." [3]

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How to cite this article: Purani GM. A review paper on financial management and financial manager. International Journal of Research and Review. 2017; 4(5):37-39.

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