Department of Commerce (CA)

III B. Com (CA) - VI Semester - 2018-2021 BATCH

FINANCIAL MANAGEMENT - 18BCA62C

Ref. Book: Financial Management - Dr. V.R. Palanivelu

UNIT - I

Nature and Scope of Financial Management - Objectives - Financial decisions - Relationship between Risk & Return - Role of Financial manager - Time value of Money.

Simple Meaning of Finance :-

Finance means allocation of money at the particular moment of time it is wanted.

Meaning of Financial Management :-

Financial Management refers to raising of funds, their effective utilization enabling to achieve overall objectives of the firm.

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of financial decision making, harmonizing individual motives and enterprise goals.
— Weston & Brigham.

Nature of Financial Management:-

1. Acquiring Financial Resources
2. Anticipation of Financial Needs
3. Guide to decision making.
4. Allocating the funds in business
5. Analyzing Financial Performance
6. Finance for Business Promotion
7. Accounting and Reporting.

Scope of Financial Management:

1. Fund Requirement Decision.
2. Financing decision.
3. Investment decision.

4. Liquidity Decision.
5. Dividend Decision.

Objectives of Financial Management:-

I. Profit Maximization
II Wealth Maximization
III Optimum Fund Utilization
IV Ensure Safety on Investment
V Sound Capital Structure.

Financial Decisions:-

It is a process which is responsible for all the decisions related with liabilities and shareholder's equity of the company as well as the issuance of bonds.

Steps of Financial Decisions:-

1. Determine current Financial situation
2. Establish Financial Goals.
3. Identify different courses of action
4. Evaluate Alternatives
5. Implement the actions of financial plans.
6. Review and Revise the financial plans.

Relationship Between Risk & Return :-

I. Direct Relationship between Risk and Return :-

A) High Risk - High Return

B) Low Risk - Low Return.

II Negative Relationship between Risk and Return :-

A) High Risk - Low Return

B) Low Risk - High Return

Role of Financial Manager :-

1. Estimation of Capital Requirements
2. Determination of capital composition
3. Choice of Source of funds.
4. Investment of funds.
5. Disposal of Surplus.
6. Management of cash
7. Financial control.

Time Value Of Money :-

The value of money Received today is more than the value of same amount of money received after a certain period.

Reasons for Time value of Money :-

1) Uncertainty and Loss
2) To Satisfy present needs
3) Investment opportunities

~~4)~~

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Techniques of Time value of Money :-

I. Compounding Technique.

II. Discounting / Present value Technique

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