Welcome
to this session on
Financial Management – a basic introduction
APHRDI - Bapatla
An Interactive Session with Prof. V. Viswanadham
www.viswam.info
What? Why? How?
Please think of any activity, in the modern civilization which does not require money
Financial Management is the science of money management.
Dhanamoolam Idamjagath
Financial management is the cornerstone of **Excellence**

[ Organizational or Individual ]

[ whether Government, Public or Private or even personal ]
Objectives of Financial Management

(1) **Profit maximization**: Maximization of profits is generally regarded as the main objective of a business enterprise.

(2) 

(3) Includes capital gains.
**Executive functions:**

These functions involve financial, investment and dividend decision making ~

- Financial Forecasting
- Investment decisions
- Managing corporate asset structure
- The management of income
- Management of cash
- Deciding about new sources of finance
- Contact and carry negotiations for new financing
- Analysis and appraisal of financial performance
- Advising the top management
**Incidental functions:**

They are performed by relatively junior assistants like accountants, account assistants etc.

They include:

- Record keeping and reporting
- Preparation of various financial statements
- Credit Supervision
- Custody and safeguarding financial securities etc.
- Providing top management with information on current and prospective financial conditions of the business – to the extent they have noticed
Is there any need for keeping a record of money?
Accounting is often called "the Language of Business."
Accounting is based on a double-entry system ~ implying recording of the dual effects of a business transaction.

Each transaction affects at least two accounts.
Accounting Equation

Assets = Liabilities + Owner's Equity
CAPITAL  +  LIABILITIES  =  ASSETS

- CAPITAL: the owners’ investment in the business and subsequent profits
- LIABILITIES: what the business owes to suppliers and banks etc
- ASSETS: owned resources that have future value i.e. stocks, debtors, equipment, cash

money obtained  =  money spent
The accounting equation

what it owns = what it owes

Assets = Liabilities + Equity

A Balance Sheet (Statement of Financial Position) shows that the assets of an organisation should equal to its liabilities plus equity.

This is why the accounting equation is also called a balance sheet equation.
Accounting Equation

- Types of Accounts
  - Assets
  - Liabilities
  - Owner’s Equity
  - Income
  - Expenses
Financial management is an **integrated decision making** process, concerned with acquiring, managing and financing assets to accomplish overall goals within a business entity.
Financial Management is concerned with making decisions relating to Financing, Investment and Dividend distribution ~ *understandably includes* Working capital management
Investment Decision

relates to the careful selection of assets in which funds will be invested by the firm.

It involves buying, holding, reducing, replacing, selling and managing assets.
Financing Decision involves the acquisition of funds needed to support long-term investments.

This decision involves comparing and weighing the advantages and disadvantages of the different sources of finance.
Dividend decision relates to the appropriation of profits earned. The two major alternatives are to retain the profits earned or to distribute these profits to shareholders.
A Big Thank You
for your patient listening
Love your Motherland
Do your bit to increase the Good
Stop the habit of merely talking
Contemplate on doing real Good
GOOD LUCK

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**thank you**
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