

(Date → 11/4/2020) FAM (lec 9)

(unit 4) (BCA - I Year)

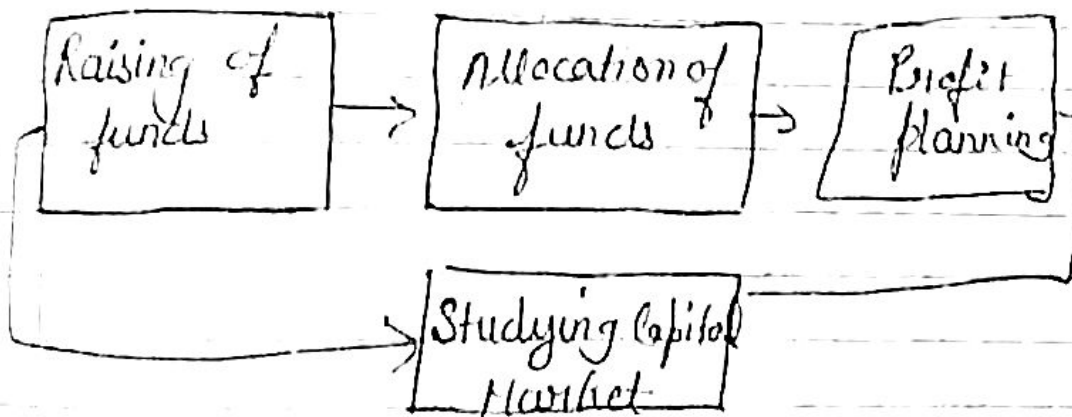
Topic → (Functions of financial Management)

- 1) Investment decisions → it involves commitment of funds of long-term assets that would yield benefits in future. The two important aspects of investment decisions are the measurement of the worth of the investment proposal or profitability of investment.
- 2) Financing decisions → The concern of the financing decision is with the financing mix or the capital structure or leverage. To finance the requirement the function involves balancing the debt and equity of the firm.
- 3) Dividend decisions → The dividends should be analyzed in relation to the financing decision of a firm. Two alternatives are available in dealing with profits of a firm.
- 4) Liquidity decision → it is an important part of financial management as short term is a prerequisite for long

Team ~~sets~~ Success.

(Responsibilities and functions of financial Manager)

A financial manager is a person who is responsible to carry out finance. A financial manager through his finance functions actively participates in production, marketing and other firm's functions.



(Objectives of financial Management)

The objectives provide a frame work for optimum financial decision making.

The knowledge of objectives of financial Management is necessary to make wise decision.

(it is discussed in two parts:-)

(1) Profit Maximisation

(2) Wealth Maximisation.

(Profit Maximisation)

According to this approach, actions that increase profit should be undertaken and those that decrease profits are to be avoided. The main technical drawbacks are definition of profits, timing of benefits, quality of benefits.

(Wealth Maximisation)

The objective of Shareholder's Wealth Maximisation is an appropriate and operationally feasible criterion to choose among the alternative financial actions. Shareholder's wealth Maximisation means Maximising the net present value of a course of different action is the difference between the

present value of its benefits and
the present value of its costs.

(Social responsibility)

Maximising Shareholder's wealth does not mean the Management should ignore social responsibility such as protecting the consumer, paying fair wages to employees, maintaining fair hiring practices and safe working conditions, supporting education and becoming involved in such environmental issues as clean air and water.