

Perspective

A brief note on role of finance management

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DESCRIPTION

Finance is the back bone of any business. The business would not be able to run without finance and may not decrease. Finance is basically the art and science of managing monetary resources of a business concern and is extremely crucial for the survival of a business entity. Finance plays an important role, right from the generation of the business idea to its day- to-day functioning and up to the liquidation stage of a business. Finance aids in procurement of various resources such as raw materials, machinery and equipment, human resources etc. and helps to maintain the smooth business operations. Thus, an efficient and healthy financial management in an organisation is essential.

Finance may be defined as the position of the money at the time it is wanted.

The term finance may be defined as the management of the flow of money through an organisation, whether it will be corporation, school, bank or government agency.

Finance may be defined as the administrative or set of administrative functions in an organisation which relates with the arrangement of each debit and credit so that the organisation may have the means of carry out the objectives as satisfactorily as possible.

The post of a finance manager in a company is a key position. She is the person solely responsible for carrying out the finance functions of a company. She is a part of "Top Management" team and her role is to be extremely efficient in solving complicated fund management issues and also acting as the financial advisor to the top management.

Role of finance manager

Financial Manager's role has been undergoing a lot of changes and in the present day scenario; she is responsible and empowered to carry out the following functions:

Raising funds of company finance

The prime responsibility of a financial manager is to estimate her company's short-term and long-term requirements, explore the possibilities of raising funds from various sources and exercising the best available option she is responsible and also empowered to frame the company's appropriate capital structure.

Taking maximum benefits from leverage

The Financial Manager has powers to utilise leverages, both 'Financial' and 'Operating', to the maximum advantage

International financial decisions

The financial manager of the company is expected to keep her abreast of latest developments takes place in the international market. The opportunities available in the form of various derivatives or financial instruments like 'Credit Default Swap', 'Interest Rate Swap', 'Currency Swap', etc., need to be tapped by him with the aim to make profit for his company.

Investment decisions

The financial manager plays an important role in 'Capital Budgeting' exercise by applying various available tools and techniques. Net Present Value (NPV) is one of such technique, which is very popular amongst the Financial Managers. This technique includes calculation of NPV of each proposal of a given project and comparison thereof. A proposal with highest NPV is considered to be the best one. Financial Managers have an expertise in the calculation of NPV and it is their responsibilities to finalise the best proposal of a project to be implemented.

Risk management

Risk is the part and parcel of a project or venture undertaken by a company, although at times it is clearly visible and sometimes it is hidden. A voidance of risks although during the conduct of a business is next to impossible. What is required is its identification and efficient management of risk, which is the responsibility of financial managers. They are free to delegate responsibilities, in this regard, down line, but they are the one answerable to the top management in the areas of risk management. They are also responsible, in this connection, for the coordination with the institutions like insurance companies and rating agencies, who have specialised knowledge in this field of risk management.

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