

B.COM SEM - IV
MJC- 5 (BUSINESS FINANCE)
TOPIC - FUNCTIONS OF FINANCIAL MANAGER

Functions of Financial Manager

A financial manager plays a vital role in every business organization by managing financial resources efficiently and ensuring the financial stability and growth of the firm. The main objective of a financial manager is to maximize the wealth of shareholders while maintaining liquidity and profitability. The functions of a financial manager involve planning, organizing, controlling, and monitoring financial activities of the business.

1. Financial Planning

Financial planning is the primary function of a financial manager. It involves estimating the capital requirements of the business and determining how funds will be obtained and used. Proper financial planning ensures that adequate funds are available at the right time and helps in achieving long-term organizational goals.

2. Investment Decision (Capital Budgeting)

The financial manager decides where the company should invest its funds. This includes selecting profitable investment opportunities such as purchasing machinery, expanding operations, or launching new projects. The aim is to allocate funds in projects that provide maximum returns with acceptable risk.

3. Financing Decision

Financing decisions relate to choosing the best sources of funds for the organization. The financial manager decides the proportion of equity and debt capital, known as the capital structure. A proper balance between borrowed funds and owned funds helps minimize the cost of capital and financial risk.

4. Dividend Decision

The financial manager determines how much profit should be distributed to shareholders as dividends and how much should be retained in the business for future growth. This decision balances shareholder expectations with the company's expansion needs.

5. Management of Working Capital

Working capital management involves controlling current assets and current liabilities such as cash, inventory, and receivables. The financial manager ensures smooth day-to-day operations by maintaining sufficient liquidity while avoiding excess idle funds.

6. Cash Management

Efficient cash management ensures that the firm has enough cash to meet its obligations like salaries, payments to suppliers, and operating expenses. The financial manager monitors cash inflows and outflows to prevent shortages or unnecessary surplus.

7. Financial Control

Financial control includes analyzing financial performance through tools like budgeting, financial statements, ratio analysis, and audits. It helps in identifying deviations from plans and taking corrective actions to improve efficiency.

8. Risk Management

Businesses face financial risks such as market fluctuations, credit risk, and interest rate changes. The financial manager identifies potential risks and adopts strategies like diversification, insurance, and hedging to minimize losses.

9. Coordination with Other Departments

The financial manager coordinates with production, marketing, and human resource departments to ensure efficient utilization of financial resources and alignment with organizational objectives.

In conclusion, the financial manager acts as the backbone of an organization's financial system. Through effective financial planning, investment and financing decisions, working capital management, and financial control, the financial manager ensures profitability, liquidity, and long-term sustainability of the business. Hence, the role of a financial manager is essential for achieving organizational success and economic growth.