Q1 Financial Managers

Financial manager perform data analysis and advise senior managers on profit maximizing ideas. Financial manager are responsible for the financial health of an organization. They produce financial reports, direct investment activities and developed strategies and plans for the longterm financial goals for their organizations.

Some of the major functions of a financial manager are as follows.

① Estimating the Amount of Capital Required.

This is the most important function of the financial manager. firms require capital for

(i) purchase of fixed assets

(ii) meeting working capital requirements and

(iii) moderanization and expansions of business.

② Determining Capital structure.

once the requirment of Capital structure fund has been determed a decesion regarding the kind and proportion of various sources of funds has to taken for this financial manager has to determe the proper mix of equity and debt and short-term and

and long-term debt ratios This is done to acheive minimum Cost of Capital and maximise shareholders wealth..

(3) Choice of Sources of Funds

Before the actual procurement of funds the finance manager has to decide the sources from which the funds are to raised. the management can raise finance from various like equity shareholders, preference. shareholders, debentures banks and other financial institutions etc

(4) procurement of Funds.

The financial manager takes steps to procure the funds required for the business. It might require negotiation with creditors & financial institutions

(5) Utilisation of Funds

The funds procured by the financial manager are to be prudentily invested in various assets so as to maximise the return on investment. while taking investment decesions management should be guided by three important principles viz, saftey. profitability & liquidity.

(6) Management of Cash

management of cash & other current assets is an important task of financial manager It involves forcasting the Cash inflows and outflows to ensure

that is neither shortage nor surplus of cash with the firm. Sufficient funds must be available for purchase of materials payment of wages and meeting day to day expenses.

Financial Control

Evaluation of financial funds & performance is also an important function of financial manager. The overall measure of evaluation is Return on Investment (ROI) The other technique of financial control and evaluation include budgetary control cost control internal audit break-even analysis and ratio analysis.

The financial manager must lay emphasis on financial planing as well.

Q 1 Completed.

Q2 Forms of Business organizations 16686 (4)

Starting a business involves making many important decesions especially in terms of selecting the right form of business. Taking time to research your options and understan how different organizations work my help you make the best choie for your situation.

(1) partnarship

you can classify a business partnership as either general or limited. General partnership allow both partners to invest in a business with 100% responsibility for any business debts. They don't require a formal afreement

Advantages

1. Easy to astablish compare to other business structures
2. partners can combine expertise with more than one like minded individual there are more opportunites to increase their skills.

Disadvantage

Full liability In partnership all members are personally liable for business related debts and may be pursued in a lawsuit.

possibility for disagreements

By having more than one person involved in business decesions partners may disagree on some aspects of the operations.

Corporation

A Corporation is a business organization that act as a unique and separate entity from its shareholders. A corporation pays its own taxes before distributing profits or dividends to sharreholders

Advantages of Corporations

owners are not responsible for business debts.
In general the shareholders of a corporation are not liable for its debts instead shareholders risk their equity

Tax emptions
Corporation can deduct expenses related to company benefits including health insurance premiums wages taxes, travel equipment and more.

Disadvantage

owners are less involved than managers
when there are several investors with no clear majority interest the management team may direct business operations rather than the owners.

Common examples of Corporations include a business organizations that possesses a board of directors and a large Company that employee hundred of people
About half of all Corporations have at least 500 employees.
Annual record keeping requirements
The management team may direct business operation rather than the owners.

Sole properiedrship

The most popular form of business structure is the easiest to set up. Sole proprietorships have one owner who makes all of the business decesions and there is no distinction the business and the owner.

Advantages of a Sole proprietorship include

. Total Control of the business
(1) → You have full control of business decisions and spending habits

(2) → No public discloscure required to file annual reports with the state or federal government.

(3) → Easy tax reporting donot need to file any special tax forms with the IRS.

Disadvantage

Unlimited liability

You are personally responsible for all business debts and Company actions under this business structure.

Lack of structure

Difficulty in raising of Funds

Investors typically favor corporations when lending money because they know that those business have strong financial records and other forms of security.

Q2 End.

Time Value of Money

The time value of money is the concept that money you have now is worth more than the identical sum in the future due to its potential earning capacity. This core principle of finance holds that provided money can earn interest any amount of money is worth more the sooner it is received. TVM is also sometimes referred to as present discount value.

Understanding Time Value of Money

The time value of money draws from the idea that rational investors prefer to receive money today rather than the same amount of money in the future because of money potential to grow in value over a given period of time. For example money deposited into a saving account earns a certain interest rate and is therefore said to be compounding in value.

→ Time value of money is based on the idea that people would rather have money today than in the future.

→ Given that money can earn compound interest it is more valuable in the present rather the future.

→ The formula for computing time value of money consider the payment now the future value the interest rate and the time frame.

Time Value of Money Formula

Depending on the exact situation in question the time value of money formula may change slightly. For example in the case of annuity or perpetuity payments the generalized formula has additional or less factors.

FV = Future value of money

PV = Present value of money

i = interest value of money

n = number of compounding periods per year.

t = number of years.

$$FV = PV \times \left[1 \div (i/n)\right]^{n \times t}$$

Effects of Compounding period on Future Value

The number of compounding periods can have drastic effect the TVM Calculations

- → Quarterly Compounding
- → Monthly Compounding
- → Daily Compounding

The TVM depends not only on interest rate and time horizon but also on how many times the compounding calculations are computed each year.

Q3 Ended

Q4 Financial Statement Analysis

Financial statement analysis is the process of analyzing a Company financial Statements for decesion making. External stakeholders use it to understand the overall health of an organization as well as to evaluate financial performance and business value.

Analyzing Financial statements

The financial statement of a company record important financial data on every aspect of a business activities As such they can be evalvated on the basis of past current and projected performance.

In general financial statements are centered around generally accepted accounting principle (GAAP) These principles require a company to create and maintain three main financial statements the balance sheet, the income statements and the Cash flow statement public Companies have stricter standard which require accural accounting private Companies have greater flexibility in their financial statement preparation and also have the option to use either accural or Cash accounting several techniques are commonly used as part of financial statement analysis.

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Three of the most important technique include horizental analysis, vertical analysis and ratio analysis horizontal analysis compares data horizontally by analyzing values of line items across two or more years. vertical analysis look at the vertical affect line items have on other parts of the business and also the business proportions.

As mentioned there are three main financial statements that every company creates and monitors the balance sheet income statement and cash flow statement. Companies use these financial statements to manage the operation of their business and also to provide reporting transparancy to their stakeholders.

① Ratios There are many different types of ratios developed when conducting a financial analysis
inventory turnover
Accounts recevible
Accounts payable turnover
Assets turnover

② Horizental Analysis

Horizontal analysis is conducting by comparing multiple periods worth of financial information. Using financial ratios a company can compare current years performance to previous years performance.

05 Vertical Analysis 16686

Vertical Analysis is much more simple than a horizontal. it deals with a one year period revealing the outcomes of the income statement and balance sheet as percentages of sales and assets respectively.

An income statement vertical analysis provides you with a look at the cost of goods sold gross margin and your expenses as percentage of the value of sales for the period. A balance sheet vertical analysis is used in the same manner as the income statement. It can be used to show the percentage any of the line items are of your total assets.

A balance sheet vertical analysis is used in the same manner as the income statement. It can be used to show the percent any of the line items are of your total assets. The categories on the balance sheet are assets liabilities, and equity.

As you become more familiar with the ratios and financial statements you'll be able to make more sense of the information horizontal and vertical analysis provide

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Q4 End.

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