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Q1

Finance

Fianance is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets money, and investments Basically. finance represents money managment and the process of acquiring needed funds. Finance also encompasses the oversight, creation and study of money, banking credit, investments, assets and liabilities that make up financial systems.

Many of the basic concepts in finance originate from micro and macroecnomic Theories one of the most fundamental theories is the time value of money which essentially states that a doller today is worth more than a doller in the future. Since individuals business and goverment entities all need funding to operate the finance field includes three main sub categries personal finance, Corporate finance, and public finance.

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Types of Finance :

(a) Personal Finance

personal finance is managing the finance or funds of an individual and helping them achieve the desired goals in terms of savings and investments. personal finance is specefic to individuals and the strategies depend on the individuals earning potential requirements goals, time frame, etc, Personal finance includes investment in education, assets like real estate cars life insurance policies medical and other insurance, saving and expense managment. Personal Finance includes

* Paying for a loan or debt obligations
* investment and wealth accumulation goals
* protection against unforeseen and uncertain personal events
* Preparing for Retirement
* preparing for long term expenses

Corporate Finance

Corporate Finance is about funding the Company expenses and building the Capital structure of the Company. It deals with the source of funds and the channelization of those funds like the allocation of funds for resources and increasing the value of the Company by improving the financial position. Corporate finance focuses on maintaining a balance between the risk and opertunities and increasing the asset value.

Corporate Finance includes

- Capital budgeting
- Employing standard business valuation technique or real options valuation.
- identifying the source of funding in the form of equity, shareholders funds creditors debt.
- Identifying relevant objectives oppertunities and constraints
- Risk management and tax considerations Acquisition and investment in stock or other assets.

public or Government Finance

As the name public finance suggests that this type of finance helps us deal with the public financial issues it is the study of the revenue of the state and the expenses of the state. Moreover it only deals with the government finance.

The public finance field consists of the arrangement of the funds and their allocation between the various parts of the activities of the state and the state duties From the government viewpoint it includes the the managment of a country national budget the central bank depository department and other level This type of finance is related to states provinces. muncipilities in short govenment required finance

<u>public Finance includes</u>

The source of revenue for the public entity

issuing debts for public projects

Tax management

identifying the expenditure required by the public entity

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Q 2

Role of Financial Managers

Overview

Financial managers ensure the financial health of an organization through investment activities and long-term financing strategies Financial managers perform data analysis and advise seniors on profit maximizing ideas. They produce financial reports direct investment activities and develop strategies and plans for the long-term financial goals of their organization

Basic Role

The role of the financial manager particularly in business is changing in response to technological advances that have significantly reduced the amount of time it takes to produce financial reports. Financial manager main responsibility used to be monitoring a company finances but they now more data analysis and advise senior managers to ideas to maximize profits. They often on teams acting as business advisors to top executives

Financial managers also do tasks that are specific to their organization or industry. For example government financial managers must be experts on government appropriations and budgeting processes

Function of Financial Managers

(1) Estimating the Amount of Capital Required

(a) purchased of fixed assets

(b) meeting working Capital Requirements

(c) Expansion of business

(2) choice Sources of Funds

Before the actual procurement of funds the finance manager has to decide the sources from which the funds are to be raised. The managment can raise finance from various Sources like equity shareholders preference shareholders banks and other financial institutions public deposits etc.

(3) procurement of Funds

The Financial takes steps to procure the funds required for the business. it might require negotiation with creditors and financial institutions issues of propectus etc. The procurment of funds is dependent not only upon cost of raising funds but also on other factors like general market conditions choice of investors government policy etc

(4) Utilization of funds

The funds procured by the financial manager are to be prudently invested in various assets so as to maximise the Return on invetment while

while taking decesions, management should be guided by three important principles viz saftey profitibity and liquidity.

Management of Cash

Management of cash and other current assets is an important task of financial manager. it involves forcasting the cash inflows and outflows to ensure that there is neither shortage nor surplus of cash with the firms. Sufficient funds must be available for purchase of materials, payment of wages and meeting day to day expenses.

Important Skills for Financial Managers

Analytical Skills

Financial managers increasingly assist exectives in making decesions that effect the organization a task for which they need analytical ability

Communication skill

Financial manager need good communication skills because to explain & justify complex financial transactions.

organization skills. Financial manager deal with a range of information and documents. They must stay organized to do their jobs effectively.

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Q3 Different Sources of Fund

Backround

You ever been in a situation where you have to buy a gift for someone? The important aspects you consider at the budget of the gift and sources of fund required to fulfil that budget. Similarly with managing a business funds are extremly important for any business to sustain. below we will explain the different Sources of Funds.

Sources of Funds

Business simply cannot function without money and the money required to make a business function is known as business funds. Throghout the life of business money is required continously. Sources of funds are used in activities of the business they are classified based on time period ownership and control and their source of Generation. Further more to raised new capital and retained earnings as another Source However whilst there may be traditional ways of raising funds they are by no means the only ones there are many more Sources available to Companies who do not wish to become public by means of Share issues.

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1 on the Basis of Period

Long Term Equity

- Equity shares
- Retained earnings
- preference shares
- Debentures
- Loan from financial institutions

medium Term

- Loan From Banks
- public deposits
- Loan from financial institutions

Short Term

- Trade credit
- Factoring
- Banks
- commercial paper

2 on the Basis of ownership

owners Fund

- Equity shares
- Retained Earnings

Borrowed Funds

- Debentures
- Loan from banks
- Loan from financial institutions
- public deposits
- Leace financing

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(3) On the Basis of Source of Generation (10)

Internal Sources

- Equity share Capital
- Retained earning

External Sources

- Financial institutions
- Loan from banks
- preference shares
- public deposits
- Debenture
- Lease financing
- Commercial papers
- Trade Credit
- Factoring

Period Basis Sources

On the basis of the period the different sources of funds can be classified into three parts

Long-term Sources fulfill the financial requirements of a business for a period more than 5 years It includes various other sources such as shares, and debentures longterm borrowing and loans from financial institutions.

Medium term Sources are the sources where the funds are required for a period of more than one year but less than five years. The Sources of the medium term include borrowing from Commercial banks public deposits etc.

shortterm loans: Fund required for a period not exceeding one year are called short-term Sources.

ownership Basis Sources: owner funds means funds which are procured by the owner of a business

Borrowed funds: funds raised with the help of loans or borrowing This is the most common type of Source of funds.

End