

## UNIT ONE

### **I- BUSINESS FINANCE**

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Hence, it is called as lifeblood of business Organization. Whether the business concerns are big or small, they need finance to fulfil their business activities.

In the modern world, all the activities are concerned with the economic activities and very particular to earning profit through any venture or activities. The entire business activities are directly related with making profit. (According to the economics concept of factors of production, rent given to landlord, wage given to labour, interest given to capital and profit given to shareholders or proprietors), a business concern needs finance to meet all the requirements. Hence finance may be called as capital, investment, fund etc., but each term is having different meanings and unique characters. Increasing the profit is the main aim of any kind of economic activity.

#### **1- MEANING OF FINANCE**

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance also is referred as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns.

The concept of finance includes capital, funds, money, and amount. But each word is having unique meaning. Studying and understanding the concept of finance become an important part of the business concern.

#### **2- DEFINITION OF FINANCE**

According to **Oxford dictionary**, the word ‘finance’ connotes ‘management of money’. **Webster’s** Ninth New Collegiate Dictionary defines finance as “the Science on study of the management of funds’ and the management of fund as the system that includes the circulation of money, the granting of credit, the making of investments, and the provision of banking facilities. Cording to **Khan and Jain**, “Finance is the art and science of managing money”.

#### **3- DEFINITION OF BUSINESS FINANCE**

- According to the **Wheeler**, “Business finance is that business activity which concerns with the acquisition and conversation of capital funds in meeting financial needs and overall objectives of a business enterprise”.
- According to the **Guthumann and Dougall**, “Business finance can broadly be defined as the activity concerned with planning, raising, controlling, administering of the funds used in the business”.

In the words of **Parhter and Wert**, “Business finance deals primarily with raising, administering and disbursing funds by privately owned business units operating in nonfinancialfields of industry”.

Corporate finance is concerned with budgeting, financial forecasting, and cash management, credit administration, investment analysis and fund procurement of the concern and the business concern needs to adopt modern technology and application suitable to the global environment.

According to the **Encyclopedia of Social Sciences**, “Corporation finance deals with the financial problems of corporate enterprises. These problems include the financial aspects of the promotion of new enterprises and their administration during early development, the accounting problems connected with the distinction between capital and income, the administrative questions created by growth and expansion, and finally, the financial adjustments required for the bolstering up or rehabilitation of a corporation which has come into financial difficulties”.

#### **4- TYPES OF FINANCE**

Finance is one of the important and integral part of business concerns, hence, it plays a major role in every part of the business activities. It is used in all the area of the activities under the different names. Finance can be classified into two major parts:

- **Private Finance**, which includes the Individual, Firms, Business or Corporate Financial activities to meet the requirements.
- **Public Finance**, which concerns with revenue and disbursement of Government such as Central Government, State Government and Semi-Government Financial matters

## **II- FINANCIAL MANAGEMENT**

### **1- DEFINITION OF FINANCIAL MANAGEMENT**

Financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm.

The term financial management has been defined by **Solomon**, “It is concerned with the efficient use of an important economic resource namely, capital funds”.

The most popular and acceptable definition of financial management as given by

- **S.C.Kuchal** is that “Financial Management deals with procurement of funds and their effective utilization in the business”.
- **Howard and Upton:** Financial management “as an application of general managerial principles to the area of financial decision-making.
- **Weston and Brigham:** Financial management “is an area of financial decision-making, harmonizing individual motives and enterprise goals”.
- **Joshep and Massie:** Financial management “is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.

Thus, Financial Management is mainly concerned with the effective funds management in the business. In simple words, Financial Management as practiced by business firms can be called as Corporation Finance or Business Finance.

### **2- SCOPE OF FINANCIAL MANAGEMENT**

Financial management is one of the important parts of overall management, which is directly related with various functional departments like personnel, marketing and production.

Financial management covers wide area with multidimensional approaches. The following are the important scope of financial management.

#### ➤ **Financial Management and Economics**

Economic concepts like micro and macroeconomics are directly applied with the financial management approaches. Investment decisions, micro and macro environmental factors are closely associated with the functions of financial manager. Financial management also uses the economic equations like money value discount factor, economic order quantity etc. Financial economics is one of the emerging area, which provides immense opportunities to finance, and economical areas.

#### ➤ **Financial Management and Accounting**

Accounting records includes the financial information of the business concern.

Hence, we can easily understand the relationship between the financial management and accounting. In the olden periods, both financial management and accounting are treated as a same discipline and then it has been merged as Management Accounting because this part is very much helpful to finance manager to take decisions. But nowadays, financial management and accounting discipline are separate and interrelated.

➤ **Financial Management or Mathematics**

Modern approaches of the financial management applied large number of mathematical and statistical tools and techniques. They are also called as econometrics. Economic order quantity, discount factor, time value of money, present value of money, cost of capital, capital structure theories, dividend theories, ratio analysis and working capital analysis are used as mathematical and statistical tools and techniques in the field of financial management.

➤ **Financial Management and Production Management**

Production management is the operational part of the business concern, which helps to multiple the money into profit. Profit of the concern depends upon the production performance. Production performance needs finance, because production department requires raw material, machinery, wages, operating expenses etc. These expenditures are decided and estimated by the financial department and the finance manager allocates the appropriate finance to production department.

The financial manager must be aware of the operational process and finance required for each process of production activities.

➤ **Financial Management and Marketing**

Produced goods are sold in the market with innovative and modern approaches. For this, the marketing department needs finance to meet their requirements the financial manager or finance department is responsible to allocate the adequate finance to the marketing department. Hence, marketing and financial management are interrelated and depends on each other.

➤ **Financial Management and Human Resource**

Financial management is also related with human resource department, which provides manpower to all the functional areas of the management. Financial manager should carefully evaluate the requirement of manpower to each department and allocate the finance to the human resource department as wages, salary, remuneration, commission, bonus, pension and other monetary benefits to the human resource department. Hence, financial management is directly related with human resource management.

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Source :financial-management.([www.accfile.com](http://www.accfile.com))

## ***VOCABULARIES :***

<b>The word</b>	<b>The meaning in Arabic</b>
Business concern	الشأن التجاري
Business enterprise	المؤسسة التجارية
Business activity	النشاط التجاري
Business finance	تمويل الأعمال التجارية
Finance	المالية
Financial aspect	الأصول المالية
Financial management	الإدارة المالية
Landlord	ملاك العقار أو الأرض
Wage	الأجرة أو ثمن العمل
Labours	العمال
Shareholders	حاملو الأسهم
Proprietors	الملاك
Procurement of funds	جمع الثروات أو تحصيل الأموال
Effective utilization	الاستخدام الفعال
Acquisition and conversation	الاستحواذ والمناولة
Budgeting	الميزانية
Forecasting	التنبؤ
Credit administration	إدارة الائتمان
Promotion	الترويج
Rehabilitation	إعادة التأهيل
Integral part	جزء متكامل
Private finance	المالية أو التمويل الخاص
Public finance	المالية العامة
Revenue and disbursement	الإيرادات والنفقات

