ABM 302
Lesson 2: Finance Function, Finance Organization, Role & Responsibilities of Finance Manager

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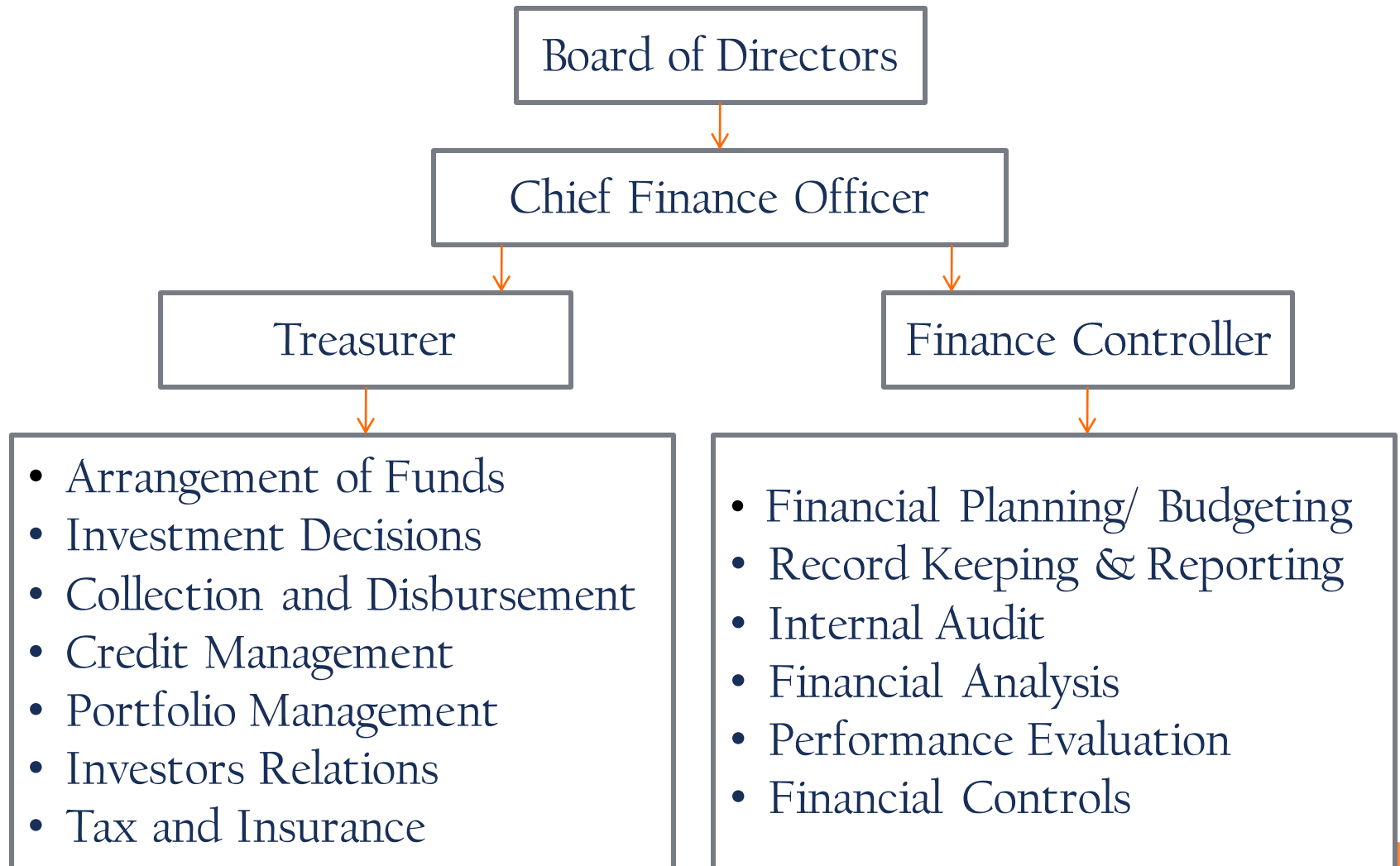
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FINANCE FUNCTION

The operational functions of finance include:

o Investment Decisions: These include investment in fixed assets (called as capital budgeting) and in current assets (called as working capital decisions).

o Financing Decisions: They relate to the capitalization, capital structure, and raising of finance from various sources which depends on decision on type of source, period of financing, cost of financing and the returns thereby.

o Dividend Decisions: The finance manager must take decision with regards to the net profit distribution. Net profits are generally divided as dividend to shareholders and retained profits which depend on expansion and diversification plans of the enterprise.

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FINANCE ORGANIZATION

Board of Directors

Chief Finance Officer

Treasurer

Finance Controller

- Arrangement of Funds
- Investment Decisions
- Collection and Disbursement
- Credit Management
- Portfolio Management
- Investors Relations
- Tax and Insurance

- Financial Planning/ Budgeting
- Record Keeping & Reporting
- Internal Audit
- Financial Analysis
- Performance Evaluation
- Financial Controls

ROLE OF FINANCE MANAGER

- Estimating requirements of funds
- Decision regarding capital structure
- Financial negotiations
- Understanding and analyzing capital market behaviour
- Raising of funds
- Allocation of funds
- Investment decisions
- Evaluating financial performance
- Profit planning
- Dividend decision
- Financial administration

RESPONSIBILITIES OF FINANCE MANAGER

- Financial planning and budgeting
- Monitoring utilization of funds
- Adequate return to shareholders
- Investors protection
- Compliance of legal issues
- Analysis of economic/ business environment
- Strategic decisions: expansion, diversification, takeover, merger & acquisition
- Reporting and advising the top management
- Shaping the fortune of the enterprise

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Thank you...

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