

Section 3. What Are Financial Management Objectives?

The CFO as financial manager governs the corporate finance function.

Related Articles

1. [Financial Business Objectives](#)
2. [Why Is Financial Management So Important in Business?](#)
3. [Goals & Objectives for a Finance Department](#)
4. [Primary Goals of Financial Management](#)

ABSTRACT

Financial management is the responsibility of planning, directing, organizing and controlling a company's capital resources. Small business owners typically complete this function because they are responsible for all company resources. Larger business organizations may have a financial or accounting manager to handle this business function. Financial management has several objectives in a business. Most of the objectives serve in a support capacity to provide business owners with relevant information on the company's business operations.

Support Accounting

Financial management has an objective to support the company's accounting department. Financial managers do not usually complete everyday accounting functions. They typically review the information from the accounting department and review this information for accuracy and validity. Corrective measures or suggestions can be made to improve the company's accounting information. Accounting information plays an important role in small business. Business owners often use accounting information to secure external financing from banks, lenders and investors.

Provide Decision Information

Business owners often require financial or accounting information when making business decisions. One objective of financial management is to provide business owners and other individuals with information for making business decisions. Information must be useful, relevant and accurate. Financial managers are usually an intermediary between the business owner and other operational managers. This saves the business owner time and effort from wading through extensive information with no relation to the decision at hand.

Risk Management

Risk management is often a primary objective for financial management functions in larger business organizations. Risk management ensures companies do not face undue pressure or risk from various financial situations. Financial rooms can result from business opportunities providing inadequate financial returns, debt financing with unfavorable loan terms, lack of available business credit and unstable financial investments. Financial managers often spend copious amounts of time reviewing their company's financial activities to ensure the least amount of risk is absorbed by the company.

Improve Operational Controls

Financial management has a responsibility to improve operational controls and workflow. Financial managers often review information from several divisions or departments within their company. The focus of this review process ensures company employees are operating within standard company guidelines. Financial managers can make suggestions to business owners for improving the company's controls and business operations. These suggestions outline specific objectives for reducing waste, limiting unnecessary expenditures and improving employee productivity. Each objective can help business owners improve their company's overall financial operations.

<http://smallbusiness.chron.com/financial-management-objectives-4725.html>

Section 4. Why Is Financial Management So Important in Business?

Balancing your financial needs helps you poise your business for success.

Related Articles

1. [The Important Roles within a Financial Management System](#)
2. [Importance of Finance & Its Role within Business](#)
3. [The Importance of Business Finance](#)
4. [Advantages & Disadvantages of Financial Management](#)

ABSTRACT

Financial management of your small business encompasses more than keeping an accurate set of books and balancing your business checking account. You must manage your finances so you don't overspend and so you remain prepared for all expenditures, as well as profit distributions. Your financial management responsibilities affect all aspects of your business. A company that sells well but has poor financial management can fail.

Capital Expenditures

You purchase assets to create income. All your financial considerations of capital expenditures must balance the amount of income the asset will produce with the amount it will cost. If you manage your capital expenditures effectively, you will not overextend your company by borrowing too much for assets that don't provide enough income to justify the expense.

Operating Cash

You must manage your cash flow so you always have enough on hand to pay for rent, utilities, telephone, insurance, payroll and supplies. This means you must look ahead and see when your accounts receivable are due and compare that to the due dates for your outstanding bills. You can manage your cash flow by shortening the amount of time you give customers to pay and by renegotiating due dates with vendors. If you fail to manage cash flow effectively, you may not be able to pay expenses and keep your company operating.

Lowering Expenses

One of your financial management responsibilities is to keep costs as low as possible. You can ask vendors for lower prices, reduce the number of employees you use, reduce energy use and purchase supplies in bulk. If you do not monitor and manage costs, your company will always have to increase sales dramatically to pay rising expenses.

Tax Planning

Your financial management duties include planning for taxes. This involves making sure you have cash on hand to pay estimated tax payments each quarter and also timing your purchases of major assets to get the maximum benefit. For example, if you know your current tax year will not require a heavy tax payment but next year will, you can postpone buying major assets until next year when you will need the tax write-off more. Failure to plan for taxes and maximize deductions can cause your company to spend more than it has to on taxes.