Financial Management Case Study

Section 1. Key Concepts of Financial Management

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- **1** What Are Financial Management Objectives?
- **2** What Are Business Finance Concepts?
- **3** Why Is Financial Management So Important in Business?
- **4** The Important Roles Within a Financial Management System

ABSTRACT

Financial management in a business means planning and directing the use of the company's financial resources -- the cash it generates through its operations and the capital obtained from investors or lenders. Although a company may have an accounting staff or an outside accounting firm to provide financial guidance, financial management is one of the most important aspects of the business owner's job.

Cash Management

A goal of the cash management function is to make certain the business enterprise always has the resources it needs to meet its financial obligations on time. A cash deficit compared to what the owner forecast can cause serious harm to the company's image and operations. For example, the company may not be able to fill an important order because it cannot pay for the raw materials needed to make the products. Managing accounts receivable and accounts payable is part of effective cash management. The business owner wants to make certain he is collecting all the funds due the company -- the accounts receivable -- as quickly as he can. Conversely, he seeks to stretch out the time he takes to pay bills from outside vendors. In doing so, he doesn't want the company to get a reputation for paying so slowly that his suppliers insist on strict terms such as payment upon delivery.

Planning and Forecasting

The financial management aspect of planning involves accurately forecasting the company's revenues, expenses and resulting net profit. The business owner uses the forecast -- sometimes called a budget -- as a tool to manage the company. Significant negative variances to forecast indicate that the business environment and his company's performance in the marketplace were not what he assumed they would be when he created his annual plan. Analyzing these variances focuses his attention on changes he needs to make to his strategies or operations to get the company back on course to reaching its goals.

Financial Reporting

A business owner and his management team require timely and accurate reports in order to make decisions and run the company effectively. The staff members responsible for financial management must determine the key pieces of information the owner and his team need for decision making. They then design reports to provide this information in a format that is most useful to the management team. The most significant metrics vary by the type of company. A hotel owner, for example, keeps a close eye on occupancy -- the percentage of rooms used. A decline in occupancy compared to the same month in the previous year would prompt investigation by the financial staff into whether this was due to unusual circumstances such as bad weather or indicative of competitors taking business away from the hotel.

Capital Structure

Startup companies often need to obtain outside capital from wealthy individuals or venture capital firms in order to fund the company until it reaches the breakeven point. As the company grows, it may need additional infusions of capital to fund expansion. The financial management function determines the best form of capital for the venture -- debt, equity or a combination -- how much is required and when it is needed. Larger companies with stable cash flow can borrow funds from financial institutions rather than having to give up an equity share to investors in order to get the capital the company requires.

Section 2. Primary Goals of Financial Management

Financial management enhances the achievement of operational and strategic business objectives.

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1 What Are Financial Management Objectives?
2 What Are the Different Functions of Business Finance?
3 Why Is Financial Management So Important in Business?
4 What Is the Meaning of Business Finance?

ABSTRACT

Financial management is a process that enables a business to plan, direct, organize, monitor and control its current and future financial resources and events. It involves applying the basic principles of management in financial activities such as purchases, sales, capital expansion, inventory valuation, financial reporting, and profit distribution. A business organization is organic in nature, and its successful growth depends on the financial efficiencies of operations and strategies. Therefore, the primary goals of financial management dwell on both short-term and long-term activities that seek to maximize value creation from scarce financial resources.

Disseminating

Timely dissemination of monthly, quarterly and annual financial information to internal and external stakeholders is a significant goal of financial management. It ensures that financial information is prepared in accordance with accounting principles and International Financial Reporting Standards. This provides internal stakeholders -- that is, owners and employees -- with reliable information on the performance and profitability of the business. The financial reports furnish suppliers with the information they require to determine the stability of the business, and enable the government to examine the tax obligations of the business.

Planning

Financial plans and forecasts aim at facilitating efficiency in the current and future activities of the business. The planning process seeks to match the organization's operational and investment activities to its overall cash flow capabilities. Current and future cash flow projections determine the scope of short-term and long-term plans of the business. This goal ensures sufficient funds are sourced in good time and allocated to different business activities. Financial planning also ensures the business engages in profitable long-term investments. For example, capital budgeting analyzes the financial viability and profitability of long-term assets prior to procuring such assets.

Managing Risks

Risk management is a very important goal because it touches on one of the soft underbellies of the business enterprise. Financial management prescribes the appropriate contingency measures for both operational and strategic risks. Insurance and automated financial management systems help business owners and employees to prevent or reduce the risks from theft, fraud and embezzlement. Internal and external auditing processes also enhance the detection of fraud and other forms of financial malpractices.

Exerting Controls

The financial management function exerts internal controls over financial resources with the objective of ensuring efficient resource utilization. These controls enhance scrutiny of financial transactions to prevent business owners or employees from violating financial principles or undermining transparency. The goal of enhancing internal financial controls is pursued through oversight by the senior financial management staff and internal auditors. Failure to exert internal financial controls could spell unprecedented consequences for the business, as was the case of financial reporting scandals by Enron, Tyco and WorldCom in the early 2000s.

Section 3. What Are Financial Management Objectives?

The CFO as financial manager governs the corporate finance function.

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

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

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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.

Section 5. The Important Roles within a Financial Management System

The CFO as financial manager governs the corporate finance function.

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1. Why Is Financial Management So Important in Business?
2. Advantages & Disadvantages of Financial Management
3. What Are Financial Management Objectives?
4. Importance of Finance & Its Role within Business

ABSTRACT

An organization’s financial management plays a critical role in the financial success of a business. Therefore, an organization should consider financial management a key component of the general management of the organization. Financial management includes the tactical and strategic goals related to the financial resources of the business. Some of the specific roles included in financial management systems include accounting, bookkeeping, accounts payable and receivable, investment opportunities and risk.

Accounting and Bookkeeping

When establishing any financial management system, a business needs to determine if the management of the system will occur in-house or if it will use an outside entity. Any accounting system should measure, identify, record and communicate all of the financial information about the organization. The foundation of an effective accounting system is good bookkeeping. A bookkeeper gets the complete and accurate financial information to the accountant. While the accounting system looks at the overall financial picture of the organization, bookkeeping deals with the specific transactions that take place on a day-to-day basis.

Accounts Payables and Accounts Receivables

Account payables provide an organization with information about accounts with suppliers. This includes the outstanding sums of money owed to these suppliers. Additionally, account payables will show the cost of items purchased, how the organization made payments in the past and details about the transaction. Accounts payable will also show the workflow and allow the business to approve invoices, update records and maintain an integrated document management system. Account receivables, on the other hand, records what customers owe the organization for products and services purchased. An accounts receivables system can keep track of invoices, payments, produce reminder letters for outstanding payments and calculate interest for balances owed. Additionally, accounts receivables can help the organization recover past due accounts before they become bad debts.

Investment Opportunities

Another aspect the financial management system relates to finding opportunities that can complement or benefit the organization. A business can only exploit these opportunities if the organization efficiently and effectively finds the opportunities and has the ability to pay for the desired acquisitions. By carefully considering the different aspects of the financial management system, a business can evaluate its overall financial health and determine its ability to invest in potential opportunities.

Risk

A business also must carefully evaluate risk. A primary goal of the financial management system is to minimize risks for the organization by implementing strategies that help the business to counteract unforeseen liabilities. The financial management system should include adequate insurance for property, equipment and key employees. Additionally, budgeting for quarterly and yearly working capital helps to minimize potential financial risk for the organization. Further, controlling debt and establishing a credit system with suppliers and financial institutions helps to minimize financial risk by allowing the business operational flexibility in the event the business experiences cash flow problems.

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Section 6. Advantages & Disadvantages of Financial Management

Financial managers are rarely popular when they cut funds.

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Decision Making

Businesses have many areas to manage to keep things working smoothly. Finance is just one of these areas. Because finances impact virtually everything else the company does, it's probably the most important thing a manager must address. However, there are both advantages and disadvantages to financial management in business. Usually the pros outweigh the cons, but managers still must be prepared to face the negative consequences of tracking the money a business has and spends.

Research, Time and Knowledge

Financial management requires a significant amount of information, which takes time to collect. Once the data is gathered, you must take time to analyze it properly and discuss it with others involved. If you aren't sure how to approach a financial question, you must either learn about it or call in an expert, especially as company objectives change or the market shifts.

Cost

The expertise, information and time involved with financial management has a very real price tag your company must take into account. You must pay those in your accounting department or the consultants you hire, and even if you handle the finances of the business alone, you cannot work for free.

Revision and Attention

The financial needs and situation of a business shift constantly, based on market variables and the results of internal controls. For example, you may find that the cost of a part rose 10 cents from the previous budget period -- this drives up your cost of production and forces you to evaluate your budget. Financial management, therefore, is not a do-it-and-leave-it task. You must revisit it and do so often.

Power

Managers often have to make the final call on where money goes in a business. Employees may take it personally if you don't allot money to them or their projects. This can lead to bad relations within the company.

Money Availability

When you manage your finances well, you know exactly what you're spending and what you're earning. You also know when funds will be available. With this knowledge, it's much less likely that you'll run into debt or be unable to pay back what you already owe. You know that money will be available when you need it.

Planning

When you manage your business funds, reviewing the financial data allows you to identify specific trends and make some forecasts for the future. Because your finances connect directly to what you can do in the business, this lets you develop new strategies for your operations and plan what you're going to do from both the short- and long-term perspectives. You also can assess your areas of risk and take steps to fix problems.

Accountability

Financial management forces you and everyone else in the business to make a case for everything on which they're spending. With proper financial controls, you also can prevent instances of fraud. Financial management thus is a major tool for keeping everyone in your business accountable.

Confidence

Proper financial management usually means that a company can grow in one or more areas, or at the very least, remain stable. It also provides you with an opportunity to follow through on your policies and plans. When these things happen, your employees and investors may have more confidence in you as a business leader. This often translates into continued loyalty.

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Section 7. What Are the Advantages of Financial Accounting Ethics?

Accountants use established standards to create financial reports.

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2.The Advantages of Accounting Information

3.Advantages & Disadvantages of Financial Management

4.Advantages & Disadvantages of Financial Statement Analysis in Decision Making

ABSTRACT

Companies rely on the financial reports prepared by their accountants to be true and accurate to make sound business decisions. Inaccurate financial reporting caused by the unethical or deceptive practices of a company's accountants can lead to loss of revenue through an exposed accounting scandal, or worse, corporate collapse.

Purpose

The purpose of financial accounting ethics is to ensure that certified public accountants (CPAs) conduct their duties objectively and with integrity. Financial accounting ethics form the basis for legal and regulatory requirements and include issues realted to maintaining public trust. Professional organizations such as the American Institute of Certified Public Accountants (AICPA) and the Institute of Management Accountants (IMA) have codes of ethical conduct to which their members must adhere.

Maintaining Public Faith

In the wake of the numerous accounting scandals in the early 2000s, transparency regarding a company's accounting methods and practices has become increasingly important to the general public. A company that provides a clear explanation of the accounting methods used to prepare its financial statements appears to be more ethical and trustworthy than companies that do not provide such information. Often, the more ethical and trustworthy a company appears, the more likely it is to attract new investors.

Avoiding Regulatory Investigations and Sanctions

If a company's financial reports contain suspicious accounting methods, it can lead to a regulatory investigation such as a Securities and Exchange Commission (SEC) investigation or an IRS audit. If regulatory bodies find any accounting malfeasance on the part of the company and/or on the part of the accountant, they can levy costly fines or sanctions against the company and the CPA could lose his license. An example of corporate malfeasance is if the company failed to report all of its earned income. Accounting malfeasance can include actions such as the accountant knowingly using false information provided by the company or accepting cash or other incentives outside of his regular pay to prepare the company's financial statements; for instance, if the accountant knew the company was not reporting all of its income but prepared the financial statements anyway and accepted cash or other incentives to do so.

Avoiding Stock Price Volatility

When companies are accused of, or under investigation for, unethical accounting practices, investors begin selling off their shares in an attempt to avoid a total loss on the investment. This leads to a decline in the price per share. However, as some investors are selling their shares, market speculators and high-risk investors may be purchasing the shares at the lower price, causing a temporary increase in share price. Constant share price volatility can lead to investor panic and induce a large selloff of the company's shares, driving the share price down. If the price per share drops low enough for a long enough time, the company is delisted from its respective stock exchange, its credit rating can go down and it will have a difficult time obtaining the money it needs to continue operation. Banks and other creditors to which the company owes money may call in their loans. If the company cannot obtain the funding to pay its creditors, bankruptcy and corporate collapse could follow.

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Section 8. Sources of Finance and Their Advantages & Disadvantages

Different funding sources come with different advantages and drawbacks for any business.

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1. The Advantages & Disadvantages of External Financing
2. Advantages & Disadvantages of Bank Loans
3. Advantages & Disadvantages of Retained Profit
4. What Are Internal Sources of Finance?

ABSTRACT

Whether you're funding a new business or trying to expand an old one, choosing the right source of financing for your unique situation can be challenging. While you can ideally choose from several options, each source of financing comes with its own set of advantages and drawbacks. No one option is better than the others in all cases.

Personal Savings And Assets

Your personal savings and other assets make a great source of capital. Because you already have them, acquisition costs are minimal, and you won't be paying interest on a bank loan or sharing returns with investors. The drawbacks, of course, are that if you plow your personal savings into a business venture, you could lose it all. Some assets, such as retirement accounts, are safe from creditors and bankruptcy courts; placing such assets at risk may not be good for you, especially if you're approaching retirement age and are running out of time to rebuild depleted accounts.

Investors

Corraling a group of investors can help you raise startup or expansion capital for your business without placing all of the risk of loss on you alone. These investors may be active partners in the business, or they may be silent investors who simply provide capital and wait for their returns. The disadvantage to bringing in investors is that you do give up a certain element of control over the company. Even if you retain a majority interest, you'll need to keep your investors happy. Additionally, if you share the risk with others, you'll also have to share the profits.

Bank Loans

Private banks can be another good source of funding. For small ventures, you may be able to secure a personal loan or line of credit; for larger operations, you may have to leverage assets -- real estate, large equipment or inventory -- by using them as collateral to secure the loan. The advantage to borrowing the money is that it enables you to keep your cash on hand to use as operating capital or for personal survival during a down period in your business. Additionally, if business goes bad, you may be able to protect your most important personal assets by declaring bankruptcy. The disadvantages are that you'll have to pay interest on the loan. Furthermore, your payments will be due on time regardless of whether business is bad or good.

Government Grants and Loans

The U.S. Small Business Administration offers several loan and grant programs to help startup companies and assist existing ventures in expansion; your home state may have similar programs on a smaller scale. Grants are basically free money, and government-guaranteed loans come with interest rates that are typically far below what you can get on your own. Unfortunately, they come with a lot of red tape and may not be available for every type of business. Budget issues from year to year may affect the availability of funds. Finally, a government-guaranteed loan is still a loan; you'll have to pay it back regardless of whether business is good.

Section 9. Advantages & Disadvantages of Bank Loans

For some business owners, a bank loan is the best way to obtain necessary cash.

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3. Advantages & Disadvantages of Retained Profit
4. Advantages & Disadvantages of Borrowing Money for a Business from Family

ABSTRACT

Bank loans give you access to capital that you can re-invest and grow your business. But that opportunity comes at a cost. Bank loans are available to finance the purchase of inventory and equipment as well as to obtain operating capital and funds for business expansion. These loans are a time-honored and reliable method of financing a small business, but banks often only finance firms with substantial collateral and a long track record, and the terms they offer are often very strict. Business owners should weigh the advantages and disadvantages of bank loans against other means of finance.

Basic Advantages of Bank Loans

A bank loans money to a business based on the value of the business and its perceived ability to service the loan by making payments on time and in full. Banks do not take any ownership position in businesses. Bank personnel also do not get involved in any aspect of running a business to which a bank grants a loan. Once a business borrower has paid off a loan, there is no more obligation to or involvement with the bank lender unless the borrower wishes to take out a subsequent loan.

Tax and Financial Planning Advantages

The interest on business bank loans is tax-deductible. In addition, especially with fixed-rate loans, in which the interest rate does not change during the course of a loan, loan servicing payments remain the same throughout the life of the loan. This makes it easy for businesses to budget and plan for monthly loan payments. Even if the loan is an adjustable-rate loan, business owners can use a simple spreadsheet to compute future payments in the event of a change in rates.

Difficulties in Obtaining Loans

One of the greatest disadvantages to bank loans is that they are very difficult to obtain unless a small business has a substantial track record or valuable collateral such as real estate. Banks are careful to lend only to businesses that can clearly repay their loans, and they also make sure that they are able to cover losses in the event of default. Business borrowers can be required to provide personal guarantees, which means the borrower's personal assets can be seized in the event the business fails and is unable to repay all or part of a loan.

Cost of Bank Loans

Interest rates for small-business loans from banks can be quite high, and the amount of bank funding for which a business qualifies is often not sufficient to completely meet its needs. The high interest rate for the funding a business does receive often stunts its expansion, because the business needs to not only service the loan but also deal with additional funding to cover funds not provided by the bank. Loans guaranteed by the U.S. Small Business Administration offer better terms than other loans, but the requirements to qualify for these subsidized bank loans are very strict.

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Section 10. The Advantages of Internal Funding

Company growth results from spending money from internal or external sources.

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2. The Advantages & Disadvantages of External Financing
3. What Are Internal Sources of Finance?
4. Pros & Cons of Financing Expansion Through Retained Earnings

ABSTRACT

For your small business to grow, you have to spend money. Whether it's additional advertising, new equipment, expanded facilities, or a new department you want to add, you will need to fund your effort. You have two choices for this funding: external sources and internal sources. Learn the advantages of using internal sources to fund your expansion, and you will be on your way to a sustainable growth for your business.

Sources of Internal Funding

Internal funding comes from excess cash after expenses. This means you use profits to fund your project or advertising. You can also get extra funds from depreciation on equipment and facilities. This depreciation reduces your taxes and thus lets you keep more money to spend on the business.

Internal Funding vs. Bank Financing

When you use company funds, you do not have to pay interest to the bank. You also do not have to go through the application process, which can be costly if you have to pay someone to prepare profit and loss statements, balance sheets and other documentation required by the bank.

Internal Funding vs. Selling Stock

One way to raise money for your business projects is to sell stock to investors. This gives them part ownership of the company. Using internal funding offers the advantage of keeping control in the hands of the company's founders.

Internal Funding vs. Government Grants

A business may qualify for government grants under certain circumstances. Minority grants can help minority-owned businesses expand, and businesses can receive grants for going green, to name just two examples. However, the application process can be lengthy and expensive. The expense comes from preparing the documentation for these grants. You have to win the approval of the agency giving the grant, and this can involve many individuals and committees. With internal funding, you can start on your project immediately, with no approval required other than that of management and your stockholders.

Internal Funding vs. Selling Assets

Some businesses try to fund new expenditures by selling assets. This decreases the value of the company and can trigger transaction costs, as well as taxes. Internal funding keeps all assets in the company and incurs no additional expenses beyond the cost of the project itself.
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Section 11. The Advantages & Disadvantages of External Financing

External financing can save your business.

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2.What Are Internal Sources of Finance?

3.Examples of External Financing Alternatives

4.The Advantages of Internal Funding

ABSTRACT

External financing is any kind of business funding you acquire from sources outside the company. Bank loans, investments from private individuals or investment firms, grants and selling company shares are all examples of external financing. Before you set out to secure external funding, you need to understand the advantages and disadvantages associated with it.

Preserving Your Resources

One of the advantages of external funding is it allows you to use internal financial resources for other purposes. If you can find an investment that has a higher interest rate than the bank loan your company just secured, it makes sense to preserve your own resources and put your money into that investment, using the external financing for business operations. You can also set aside your internal financial resources for cash payments to vendors, which can help improve your company's credit rating.

Growth

Part of the reason organizations use external funding is it allows them to finance growth projects the company could not fund on its own. For example, if your business is growing to the point that you need additional manufacturing space to keep pace with demand, external financing can help you get the funding you need to build your addition. External funding can also be used for making large capital equipment purchases to facilitate growth that the company cannot afford on its own.

Ownership

Some sources of external financing, such as investors and shareholders, require you to give up a portion of the ownership in your company in exchange for the funding. You may get that large influx of cash you need to launch your new product, but part of the financing agreement is the investor is allowed to vote on company decisions. This can compromise the vision you originally had for your company when you founded it.

Interest

External funding sources require a return on their investment. Banks will add interest to a business loan, and investors will ask for a rate of return in the investment agreement. Interest adds to the overall cost of the investment and can make your external funding more of a financial burden than you had originally planned.

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Section 12. The Advantages and Disadvantages of Debt and Equity Financing

Large investors often seek board membership or an officer position.
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3. Advantage & Disadvantage of Equity Capital
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ABSTRACT

Debt and equity financing are your two basic options to raise money for a start-up company or growing business. Debt financing includes long-term loans you get from the bank. Equity financing is private investor money you get in exchange for a share of ownership in the business.

Debt Advantages

Debt financing allows you to pay for new buildings, equipment and other assets used to grow your business before you earn the necessary funds. This can be a great way to pursue an aggressive growth strategy, especially if you have access to low interest rates. Closely related is the advantage of paying off your debt in installments over a period of time. Relative to equity financing, you also benefit by not relinquishing any ownership or control of the business.

Debt Disadvantages

The most obvious disadvantage of debt financing is that you have to repay the loan, plus interest. Failure to do so exposes your property and assets to repossession by the bank. Debt financing is also borrowing against future earnings. This means that instead of using all future profits to grow the business or to pay owners, you have to allocate a portion to debt payments. Overuse of debt can severely limit future cash flow and stifle growth.

Equity Advantages

Equity financing doesn't have to be repaid. Plus, you share the risks and liabilities of company ownership with the new investors. Since you don't have to make debt payments, you can use the cash flow generated to further grow the company or to diversify into other areas. Maintaining a low debt-to-equity ratio also puts you in a better position to get a loan in the future when needed.

Equity Disadvantages

By taking on equity investment, you give up partial ownership and, in turn, some level of decision-making authority over your business. Large equity investors often insist on placing representatives on company boards or in executive positions. If your business takes off, you have to share a portion of your earnings with the equity investor. Over time, distribution of profits to other owners may exceed what you would have repaid on a loan.

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Section 13 Ten Mistakes That Can Damage Your Business Credit

BY MARCO CARBAJO

Updated June 30, 2017

Are you an entrepreneur currently running a business? Most of us have a dream to become self-employed and one of the ways we can achieve this is by turning our savings into real investments such as a successful business. Part of achieving a successful company is building the creditworthiness of the business itself.

A good business credit score comes with so many advantages such as low interest rates on business loans, lines of credit, business credit cards and supplier financing. In addition, a good score can get you higher credit limits, low insurance premiums and as attract more credit opportunities from lenders and existing suppliers.

However, not all business owners have a good business credit score. This is primarily due to committing small mistakes while working with their credit cards. These petty mistakes are committed unknowingly but when the report reaches the eyes of the business credit reporting agencies, they really damage your business's credit score. Today, we are going to take you through 10 mistakes that can really hurt your credit score and show you how to avoid them for a better credit score for your business.

1.Co-signing Someone Else's Loan

Co-signing any type of loan for a friend, a relative or any other close person could prove disastrous to your own business credit score in case the borrower fails to honor the terms of loan repayment. Whenever you co-sign any loan, remember you take partial responsibility on behalf of the borrower. In case the borrower in question fails to repay the term, your credit score for your business will automatically be affected negatively if you don't make the payments. This means that being a loan 'co-signor' every time is a potential disaster in the making.

To avoid being affected by this, you will have to very selective when deciding who you can co-sign a loan for. Find out the history of the borrower in terms of making payments and their financial ability to repay the loan. Also, go through the way the borrower is going to make the payments and determine whether it is a viable one or could be a problem for you in the near future.

2. Ignoring the Warning Signs of Your Credit Problems

Most of us spare very little time to check and cross examine our credit reports. The majority of the entrepreneurs only wait for a yearly report. This is not what you are supposed to do when it comes to your credit reports. If you have time you should check your credit reports on a monthly basis to ensure that it is free from errors. The longer you wait, the harder it becomes for the errors to be corrected. The errors can be damaging to your report and may lead to a bad credit rating which does not reflect how you have been making your payments and so forth. There are also warning signs that you should promptly act upon which includes only being allowed to make minimum payments, missing some payments, looking for zero rated business credit cards and also running up and down in search for zero rated balance transfers. These signs when ignored may really damage your credit score and one has to realize the trouble ahead and react accordingly.

3. Closing Old Credit Accounts

In your home, you may at times feel like disposing the old fashioned sneakers. This act won't affect you in any way since you no longer need them in your line of shoes. However, this is not always the case when it comes to credit cards. If you decide to cancel the old credit cards, you are at a risk of lowering your business credit score unknowingly. Why? It's due to the fact that such cards could be having a good history but now that you do away with them, you automatically remove the good years of credit that had contributed to the current good score that your business is having.
To avoid losing the good history of your payments and the good score that you currently have, you have to retain your old credit cards by keeping them open. Even if you pay off any credit card, do not close it no matter what as this could really hurt your business credit score.

4. Missing or Making Late Payments

One of the key factors used in determining your credit score is the history of payments that you make. How late or early you pay or forfeit paying your bills plays a very crucial role in determining your business credit score. Anytime you fail to submit your payments on time, it is a guarantee that your score is going to hit a new low. Most of us assume that missing two or three payments will not have as big impact on their score. This is just a misconception since even a single payment can deny you a good credit rating and categorize you in the fair credit rating which is so unfortunate.

Therefore, it is always crucial to ensure that all the necessary payments your business is owed by either creditors or vendors are paid on time. Just in case you forget to make a particular payment to a certain supplier, you may engage them in a gentleman's agreement by requesting that the missed payment not to be reported to the business credit reporting agency. Such a step shall save you from bringing your business credit rating down.

5. Maxing Out Your Cards

As an entrepreneur, one rule of thumb is that at no time should you max out your credit card. Doing so will automatically raise your credit utilization ratio. The higher the credit utilization ratio, the higher the risk of watering down your credit rating. Most of us have the assumption that even if we max out our business credit cards regularly, we always pay it off and thus it will not have any impact on our credit score rating. This is your interpretation but bureaus interpret a higher utilization ratio in a different mind-set.

Credit agencies expect you to use only a portion of your credit limit. On average, one should only utilize at least 30% of the limit their cards have. Surpassing that is taken as an indication by banks that you are running into financial trouble. Just in case you see yourself using the credit card a lot, you may look for a debit card to use occasionally too. This is to ensure that your utilization ratio is low.

6. Failing to Use Your Credit

We have had cases in the past whereby some entrepreneurs have business credit cards but unfortunately they do not use them. This is not the way a credit card should be used. This is because you need credit history in order to build up your credit score. For the first six months you need at least one account which is operating. On the other hand, you also need at least one transaction per month to be reported to the business credit reporting agencies. This is all made to make sure that the credit rating for your business shows that you pay on time on a monthly basis. In order to make sure that at least one of your payments is reported to the bureau, we would advise that you automate one of the bills you pay monthly via credit card from your phone. This is a better way to using your business credit card once a month which will improve your score overtime.

7. Sharing Your Credit Card Number

Whenever unknown people come asking for your credit card number, you should never ever disclose any information. Doing so could lead to identity theft. If you receive emails requesting for your name and credit number, what should hit your mind instantly is to run away or delete the message. These are scammers who can really harm your credit score by doing unauthorized transactions without your knowledge. Some may use your credit card to buy stuff only known to them and this can be so damaging bearing in mind that your utilization ratio may end up being too high which could damage your business credit scores. When such a thing happens to you, immediately contact your credit card issuer for action to be taken before any damage is done. The golden rule however is that you must never give out any information regarding your credit card for the safety of your account and for the betterment of your credit score.

8. Incurring Too Much Expenses on Credit for Rewards

We all get excited whenever we hear that using your credit card will earn you cash back, rack up miles and so forth right? Many of us end up being victims of the same. If you use your card for non-intended purposes, you should remember that you are only hiking your utilization ratio. The higher

the utilization ratio, the harder it affects your credit score. Most of the entrepreneurs get so nervous about these offers because the deals sound too good to resist. Due to this, we end up being unable to pay off the debts incurred. This is where the trouble begins.

If you are not sure on how you are going to pay off those debts just because you want some rewards, do not go for them. Do not buy the items that are coming with rewards. On the same note, it is worth remembering that if you fail to repay these debts on time, you will incur interest rates overtime that you will also be required to pay. The late payments will really tumble your credit score and even bring it close to nothing. Our advice is, do not use your business credit card extravagantly chasing reward points unless you are sure that you will be able to offset the balances at the end of the month.

9. Opening New Credit Accounts Every Time

If you thought having a new credit account every time is a good thing, you should have changed your mind set as early as yesterday. You should not be a victim of every credit card company that comes up with their amazing offers. Opening too many accounts within a short period will always bring your business credit scores down whether you like it or not. How does it do that? First of all, it shortens your average account age by negatively impacting on your older accounts.

On the other hand, many inquiries will be made to the new accounts and this can equally affect your credit score negatively. To avoid the temptation of signing up for new credit accounts, you can mark any card offers as trash or spam so that you never be tempted to read them at any time.

10. Taking Too Long to Shop for the Best Rate

Many business owners usually prefer taking a long time when shopping for mortgage loans, auto loans, business loans and many others. However, shopping for too long will be costly to your business since it lowers your credit score. This means that whether you are shopping for a mortgage, student loan or even auto loan, you are supposed to do it within a shorter period of time. This is because any hard inquiries made on your account for a period longer than 30 days will affect your score. Our advice is, if you are going to shop for the best rate, take a shorter period of time.

The above mistakes can really damage your business credit scores if not taken into consideration. They may seem to be very easy but it takes a lot of sacrifice to adhere to them. Make it a habit and part of your plan to avoid making this costly mistakes that may hurt your business credit scores.

Case Studies – Financial Management

Case study 1. Johnson is a successful businessman in the paper industry. During his recent visit to his friend's place in Mysore, he was fascinated by the exclusive variety of incense sticks available there. His friend tells him that Mysore region in known as a pioneer in the activity of Agarbathi manufacturing because it has a natural reserve of forest products especially Sandalwood to provide for the base material used in production. Moreover, the suppliers of other types of raw material needed for production follow a liberal credit policy and the time required to manufacture incense sticks is relatively less. Considering the various factors, Johnson decides to venture into this line of business by setting up a manufacturing unit in Mysore.

In context of the above case:

1. **Identify of the above case:**
2. **Identify the three factors mentioned in the paragraph which are likely to affect the working capital requirements of his business.**

Answer.

1. Investment decision has been taken by Johnson. Investment decision seeks to determine as to how the firm's funds are invested in different assets. It helps to evaluate new investment proposals and select the best option on the basis of associated risk and return. Investment decision can be long term or short-term. A long-term investment decision is also called a Capital Budgeting decision
2. The three factors mentioned in the paragraph which are likely to reduce the working capital requirements of his business are as follows:

1. Available of raw material:
2. Production cycle:
3. Credit availed:

Case study 2. 'Adwitiya' is a company enjoying market leadership in the food brands segment. It's portfolio includes three categories in the Foods business namely Snack Foods, Juices and Confectionery. Keeping in the with the growing demand for packaged food it now plans to introduce ready-To-Eat Foods. Therefore, the company has planned to undertake investments of nearly 450 US dollars for its new line of business. As per the current financial report, the interest coverage ratio of the company and return on investment is higher. Moreover, the corporate tax rate is high.

In context of the above case:

1. **As a financial manager of the company, which source of finance will you opt for debt or equity, to raise the required amount of capital? Explain by giving any two suitable reasons in support of your answer.**
2. **Why are the shareholder's of the company like to gain from the issue of debt by the company?**

Answer.

1. As a financial manager of the company, I will opt for debt to raise the required amount of capital.

I support my decision by giving the following reasons:

1. Interest coverage ratio:
2. Tax rate:

1. The shareholders of the company are likely to gain from the issue of debt by the company because the return on investment is higher. It helps a company to take advantage of trading on equity to increase the earnings per share.

Case study 3. Alexa Computer Tech Ltd., is one of the leading information technology outsourcing services providers in India. The company provides business consultancy and outsourcing services to its clients. Over the past five years the company has been paying dividends at high rate to its shareholders. However, this year, although the earnings of the company are high, its liquidity position is not so good. Moreover, the company plans to undertake new ventures in order to expand its business.

In context of the above case:

1. **Give any three reasons because of which you think Alexa Computer Tech Ltd. has been paying dividends at high rate to its shareholders over the past five years.**
2. **Comment upon the likely dividend policy of the company this years by stating any two reasons in support of your answer.**

Answer.

1. Computer Tech Ltd. has been paying dividends at high rate to its shareholders over the past five years because of the following reasons:

1. Earnings:
2. Cash flow position:
3. Access to capital market:

1. This year the company is likely to follow a conservative dividend policy because of the following reasons:

1. The cash flow position of the company is not god and dividends are paid in cash.
2. The company may like to retain profits to finance its expansion projects. Retained profits do not involve any explicit cost and are considered to be the cheapest source of finance.

Case study 4. Bob inherited a very large area of agricultural land in Haryana after the death of his grandfather. He plans to sell this piece of land and use the money to set up a small scale paper factory to manufacture all kinds of stationary items from recycled paper. Being an amateur in business, he decides to consult his friend Subhash who works in a financial consultancy firm. Subhash helps him to prepare a blue print of his future business operations on the basis of sales forecast in next five years. Based on these estimates, he helps Bhuvan to assess the fixed and working capital requirements of business.

In context of the above case:

1. **Identify the type of financial service that Subhash has offered to Bob.**
2. **Briefly state any four points highlighting the importance of the type of financial service identified in part (a)**

Answer.

1. Financial planning is the type of financial service that Subhash has offered to Bob.
2. The four points highlighting the importance of financial planning are as follows:

1. It ensures smooth running of a business enterprise by ensuring availability of funds at the right time.
2. It helps in anticipating future requirements of a funds and evading business shocks and surprises.
3. It facilitates co-ordination among various departments of an enterprise like marketing and production function, through well-defined policies and procedures.
4. It increases the efficiency of operations by curbing wastage of funds, duplication of efforts, and gaps in planning.

Case study 5. 'Madhur Milan' is a popular online matrimonial portal. It seeks to provide personalized match making service.The company has 80 offices in India, and is now planning to open offices in Singapore, Dubai and Canada to cater to its customers beyond the country. The company has decided to opt for the sources of equity capital to raise the required amount of capital.

In context of the above case:

1. **Identify and explain the type of risk which increases with the higher use of debt.**
2. **Explain briefly any four factors because of which you think the company has decided to opt for equity capital.**

Answer.

1. Financial risk of the company increases with the higher use of debt. This is because issue of debt involves fixed commitment in terms of payment of interest and repayment of capital. Financial risk refers to a situation when a company is unable to meet its fixed financial charges.
2. The factors because of which the company has decided to opt for equity capital are as follows:

1. Capital market conditions:
2. Fixed operating cost:
3. Cash flow position:
4. Risk:

Case study 6. Wooden Peripheral Pvt. Ltd. is counted among the top furniture companies in Delhi. It is known for offering innovative designs and high quality furniture at affordable prices. The company deals in a wide product range of home and office furniture through its eight showrooms in Delhi. The company is now planning to open five new showrooms each in Mumbai and Bangalore. In Bangalore it intends to take the space for the showrooms on lease whereas for opening showrooms in Mumbai, it has collaborated with a popular home furnishing brand, 'Creations.'

1. **Identify the factors mentioned in the paragraph which are likely to affect the fixed capital requirements of the business for opening new showrooms both in Bangalore and Mumbai separately.**
2. **"With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirement." Explain the statement with reference to the case above.**

Answer.

1. The fixed capital requirements of Wooden Peripheral Pvt. Ltd. for opening new showrooms in Bangalore will be relatively less as its taking space on lease, so only rentals have to be paid.

Similarly, its fixed capital requirement for opening showrooms in Mumbai will be reduced as its going to share the costs with another company through collaboration.

It's true that, " With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirements," Like in the above case, Wooden Peripheral Pvt. Ltd. is planning to investment in new showrooms. Consequently, its requirement of working capital will increase s it will need more money to stock goods, pay electricity bills and salaries to staff. Also, it intends to take the space for the showrooms I Mumbai on lease so it will have to pay rentals.

中文版 財務管理個案探討

第一單元 財務管理基本概念

一、西方財務管理理論的基本情況

理財學界普遍認為，1958 年美國米勒教授和莫格迪萊尼教授關於資本結構無關論的研究論文的發表，標志著現代理財學的誕生。從那以後，現代西方財務管理理論大體包括這樣一些內容：

（一）有效市場理論

它說明的是金融市場上信息的有效性,即證券價格能否有效地反映全部的相關信息。有效市場理論給財務管理活動帶來了很多啟示，如既然價格的過去變動對價格將來的變動趨勢沒有影響,就不應該根據股票價格的歷史變化決定投資或融資;既然市場價格能夠反映企業的狀況，市場上的證券價格一般也就是合理的,因此凡是對證券的高估或低估，都應當謹慎;既然資本市場上的證券都是等價的，每種證券的淨現值都等於零，因此各種證券可以相互替代，也就可以通過購買各種證券進行投資組合。

（二）資本結構理論

最初的資本結構理論認為，根據某些假設，通過套利活動，企業不會因為資本結構的不同而改變其價值，即對於企業價值來講，資本結構是無關的。隨著研究的深入，對問題的認識有了變化，即如果考慮公司所得稅，由於債息可以抵稅，在一定假設的前提下，企業的價值會隨負債程度的提高而增加，因此企業的負債越多，價值越大。以上理論的某些假設因為在現實生活中不能成立,所以其結論不完全符合實際情況。在放寬了一些假設條件，進一步考慮個人所得稅之後，得出的結論是：負債企業的價值等於無負債企業的價值加上負債所帶來的節稅利益,而節稅利益的多少依所得稅的高低而定,於是企業的資本結構仍與其價值無關。這些理論引起了很多討論，產生了一些新的認識，諸如“權衡理論”、“信息不對稱理論”等等。

（三）證券投資組合理論

這一理論給出了關於證券投資組合收益和風險的衡量辦法，即：在一定的條件下,證券投資組合的收益可由構成該組合的各項資產的期望收益的加權平均數衡量,而風險則可由各項資產期望收益的加權平均方

差和協方差衡量。計量出了證券投資組合的價值，投資者便可以通過適當的證券組合，提高投資效益。

（四）資本資產定價模型

該理論用於對股票、債券等有價證券價值的評估。按照資本資產定價模型，在一定的假設條件下，某項風險資產，比如某股票的必要報酬率，等於無風險報酬率加上風險報酬率。資本資產定價模型回答了為補償風險，投資者應當獲得多大報酬的問題。

（五）股利理論

股利理論是關於企業採取怎樣的股利發放政策的理論，分為股利無關論和股利相關論兩類論點。在股利無關論看來，在完全市場條件（即具備一定的假定條件）下，由於存在套利活動，投資者對於企業留存較多的利潤用於再投資，還是發放較多的股利並無偏好，他們可以通過套利自動補償損失。既然投資者不關心股利的分配，企業的價值就完全由其投資的獲利能力所決定，企業的股利政策不影響企業的價值。股利相關論則認為，現實中不存在股利無關論提出的完全市場條件，企業股利的分配是在種種制約因素中進行的，企業不可能擺脫這些因素的影響。這些因素既有法律、社會的，又有股東的，還有企業自身的。由於存在諸多影響股利分配的因素，企業的股利政策與其價值必然相關，企業的價值就不會僅僅由其投資的獲利能力所決定。從這一基本觀點出發，又形成了若幹股利政策影響投資者行為的理論，如“信息傳播論”等等。

二、現代企業財務管理基本理論

（一）現代企業財務管理的概念

現代企業財務管理的概念，應根據“管理”這一普遍存在的、作為管理者的人的主觀活動所應包括的要素，以及對各要素的具體內涵的哲學思辨演繹而來。現代企業財務管理包括對象、方式和目的三個基本要素。現代企業財務管理的對象是客觀存在於現代企業經營過程中的資金運動及其所體現的經濟關係，它反映著現代企業經濟活動過程的價值方面。就現代企業財務管理的方式而言，管理者的意志只能通過對資金運動過程進行組織、控制和協調來體現，管理目的也只有通過管理方式對管理對象的作用來實現。現代企業財務管理的目的不僅要與現代企業目標一致，而且要更加具體。

由此可見，現代企業財務管理的概念應表述為：以現代企業財務為對象，通過組織、控制和協調資金運動的過程，併在正確處理這一過程

所體現的經濟關係的基礎上，保證現代企業目標得以實現的經濟管理工作。

（二）現代企業財務管理的對象

從以上分析可以看出，現代企業的資金運動和它所體現的經濟關係是現代企業財務管理的內涵，是現代企業所要組織、控制和協調的客體，從而也構成了現代企業財務管理對象的質的規定。

現代企業的資金運動是通過資金籌集、資金投放、資金營運、資金分配的依次進行來實現的。這種資金運動是通過資金不斷周轉來實現的，而資金不斷周轉的實現是以資金迴圈為基礎的。對這一實現方式的研究，關係到現代企業財務管理有效與否的問題。現代企業資金運動所體現的經濟關係，主要是以企業為中心所形成的企業與國家、企業與金融機構、企業與其他企業、企業與職工以及企業內部各單位之間的財務關係。

（三）現代企業財務管理的目標

現代企業財務管理的目標既是現代企業財務管理工作的起點和終點，也是現代企業財務管理方法體系賴以建立的基礎，還是現代企業財務管理學科體系體現中國特色的一個重要方面。為了達到經濟目標與社會目標的同時實現，現代企業財務管理的目標應該表述為：經濟效益最大化，在財務管理中具體化為提高現代企業的獲利能力、支付能力和營運能力。這一表述使現代企業財務管理的目標變得可以計量，同時兼顧了現代企業的社會效益最優化。經濟效益最大化和社會效益最優化這兩個目標之間相輔相成、相互促進，從而實現經濟目標與社會目標的雙贏。

（四）現代企業財務管理的機制

現代企業財務管理的機制，直接決定著財務管理主體對財務管理客體作用的深度和廣度，同時也決定著現代企業財務管理目標的實現程度。健全、合理、有效的現代企業財務管理機制應該包括：①動力機制，這是保證財務活動具有持續動力、促使財務活動有效運行的機制；②約束機制，這是控制、制約不合理和不合規財務活動，以保證財務管理目標實現的機制；③調節機制，這是自動協調財務管理系統各組成部分之間相互關係和外部環境之間的關係，以保證財務管理工作協調進行的機制；④風險機制，這是應對財務活動中的意外情況和後果、保護企業利益、爭取進取機會的機制。

（五）現代企業財務管理的職能

現代企業財務管理的職能，是現代企業財務管理機制的應用所產生的效果。我國現代企業財務管理具體職能主要有：①決策職能，即財務管理對現代企業財務活動進行預測、決策和計劃的能力；②調控職能，即財務管理對現代企業資金供求的調節能力和對資金使用、資金耗費的控制能力；③反饋職能，即財務管理根據反饋的信息對現代企業財務活動進行再管理的能力；④監督職能，即財務管理保證現代企業財務活動全過程的合法性和合理性的能力。上述四種職能之間還存在一種相互作用、相互制約的辯證關係，共同存在於現代企業財務管理系統內併發揮作用。

三、現代企業財務管理結構理論

（一）現代企業財務管理的內容

1. 資金籌集管理。資金籌集是現代企業採用一定方式從有關渠道取得經營所需資金的行為。由於採用不同方式所取得的資金具有不同的資金成本，而籌資方式的不同組合又會給現代企業帶來不同的風險，因此，資金籌集管理就是選擇最恰當的方案，規避財務風險以獲得所需的資金。

2. 資金投放管理。資金投放是現代企業將從有關渠道取得的資金投入其內部或外部以謀取收益的行為。不同的投資項目會對現代企業的效益在時間和形式上產生不同的影響，而且不同的投資及其不同的組合會產生不同的風險。因此，資金投放管理就是選擇最恰當的投資方案，在成本與效益、風險與收益最優組合的條件下使用資金。

3. 資金營運管理。資金營運是現代企業對資金投放所形成的各項資產的利用、調度和管理的行為。資金營運管理就是選擇最合理的資源配置方案，最大限度地利用各項資產。

4. 資金分配管理。資金分配是現代企業根據國家的有關規定和自身經營的需要，將從經營過程中收回的資金分配用於不同方面的行為。資金分配管理就是選擇最佳的利潤和稅後利潤分配方案，在保證各方利益的同時，使現代企業的財務狀況得以改善、財務能力得以提高。現代企業財務管理的四項內容之間是一種相互影響、相互制約、相互促進的關係，前一項內容是後一項內容的前提和基礎，後一項內容是前一項內容的繼續和延伸，從而形成一個完整的管理迴圈。每一次迴圈不是簡單的重覆，它會使各種財務行為更加合理和有效，從而使現代企業財務管理的水平不斷提高。

（二）現代企業財務管理的過程

1. 財務預測。財務預測是財務管理人員在歷史唯物主義觀點的指引下，根據現代企業財務活動的歷史資料和其他相關信息，結合現實條件和未來可能具有的條件，採用定性和定量的方法，對未來財務活動的發展趨勢以及可能達到的狀況進行判斷和測算的過程。作為整個現代企業財務管理過程的首要環節，財務預測是進行財務決策的基礎、編製財務預算的前提、實施財務控制的標準、開展財務分析的根據。

2. 財務決策。財務決策是對財務預測所提出的諸多財務方案進行可行性研究，從中選出最優方案的過程。它以資源的優化配置為目標，本著成本效益原則，主要研究現代企業經營決策中的資金籌集、投放、營運、分配的時間以及方向、數量等問題，是各項經營決策的核心和綜合反映。其科學性直接決定著財務預算的合理性、財務控制的有效性和財務分析的有用性。沒有財務決策，其他環節的工作就失去了意義。

3. 財務預算。財務預算是對財務決策所選定的最優方案的數量化、具體化、系統化的反映。它為各項財務活動確立目標和任務，既為財務控制提供依據，又為財務分析和業績評價提供尺度。財務預算在現代企業財務管理全過程中起著承上啟下的作用，使得現代企業財務管理更有秩序。它以財務預測和財務決策為前提，又是財務控制和財務分析的基礎。

4. 財務控制。財務控制是根據一定的標準，利用有關財務信息，影響與調節現代企業的財務行為，使之按照預定目標進行的過程。它是實現現代企業財務管理目標的基本手段。

5. 財務分析。財務分析是根據財務預算、財務報表以及有關資料，運用特定方法，藉助有關指標來瞭解和評價現代企業財務狀況和財務能力，考核財務效果，以便為其他管理環節反饋信息的過程。財務分析作為現代企業財務管理全過程的最後一個環節，標志著上一個財務管理迴圈的完成，也意味著下一個財務管理迴圈的開始，是兩個迴圈交替的轉換點。

四、現代企業財務管理相關理論

（一）現代企業財務管理的環境-相關理論研究的起點

在一個多元衝擊、競爭激烈的動態環境中，現代企業欲獲得財務管理的成功，必須首先深刻認識和認真研究自己所面臨的環境。只有如此，才能建立與環境相適應的財務管理觀念，才能制定具有現實意義的財務管理原則。現代企業財務管理環境是指導現代企業財務行為的內外部客

觀條件和因素的集合，它影響和制約著現代企業的財務行為。外部環境決定內部環境，而內部環境始終要與外部環境相適應。

內部環境是對現代企業財務行為產生導向作用的內部客觀條件和因素。它可以分為兩個方面：一是無形環境，主要由各項規章制度、管理者的水平和素質等因素構成；二是有形環境，主要由現代企業的各種內在條件和能力構成。有形環境主要影響現代企業財務管理行為的選擇；無形環境既影響現代企業財務管理行為的選擇，又影響現代企業財務管理目標的實現。

外部環境是存在於現代企業外部並對現代企業財務行為產生導向作用的外部客觀條件和因素。它也可以分為無形環境和有形環境：市場經濟體制下的各種經濟政策和管理制度構成現代企業財務管理外部環境中的無形環境；市場經濟體制下的完整的市場體系構成現代企業財務管理外部環境中的有形環境。有形環境會在時空和規模上影響、制約現代企業財務管理對現代企業財務行為的選擇和規劃；而無形環境則會在觀念上影響和制約現代企業財務管理對現代企業財務行為的選擇和規劃。

（二）現代企業財務管理的觀念-對財務管理環境認識的第一次飛躍

1. 競爭觀念。市場經濟是通過競爭實現資源優化配置的經濟。競爭促使現代企業在價值規律的作用下尋求更有效的經營方式和經營方法。因此，現代企業財務管理人員必須在進行充分的市場調查和市場預測的基礎上，強化財務管理在資金籌集、投放、營運及分配中的決策作用，併在市場競爭中提高應變能力、增強競爭實力。

2. 效益觀念。取得和提高經濟效益是市場經濟對現代企業的基本要求，這就意味著現代企業必須以低於社會必要勞動時間的耗費來完成生產經營，而這是通過對人力、物力、財力的合理安排來實現的，需要有效的財務管理。現代企業按照“開源”和“節流”並重的原則來組織財務活動、選擇財務行為，並促使財務管理人員註意投入和產出的比較，加強對經營活動的全面財務監督。

3. 貨幣時間價值觀念。貨幣時間價值即一定量的貨幣在不同時點上具有不同的經濟價值，其差異稱為利息。利息作為重要的經濟杠桿，在巨集觀方面可以吸收社會閑散資金用於擴大再生產、促進資源合理配置，在微觀方面可以刺激現代企業合理使用資金、加強資金周轉、提高投資效益。因此，現代企業財務管理人員應充分認識貨幣時間價值，在財務管理活動中確立貨幣時間價值觀念，重視利息的作用，並且按照經濟上合理性和可能性的要求，進行最優方案的選擇。

4.風險觀念。風險是現代企業在組織活動過程中，由於不確定因素的作用，使實際財務收益與預期財務收益發生差異，從而有蒙受經濟損失的機會和可能。市場經濟的進一步發展，使現代企業在資金籌集、投放、營運、分配等方面的風險日益加大。另外，現代企業內外部環境的變化也給財務活動帶來風險。因此，現代企業財務管理人員必須通過風險迴避、風險轉嫁、風險接受、風險分散等手段，對現代企業財務活動的風險加以控制，以正確、有效地實施財務決策。

（三）現代企業財務管理的原則-對財務管理環境認識的第二次飛躍

1.成本效益原則。成本效益原則的核心就是要求現代企業耗用一定的成本能夠取得儘可能大的收益，以及在效益一定的條件下最大限度地降低成本。按照成本效益原則的要求，在較長的時間內，成本必須呈下降趨勢，而效益必須呈上升趨勢。這是投入產出原則的價值體現，是社會再生產活動得以延續和發展的基本要求。

2.風險與收益均衡原則。風險與收益均衡原則的核心就是要求現代企業不承擔超過收益限度的風險，在收益既定的條件下，最大限度地降低風險。

3.資源合理配置原則。財務管理具有價值管理和綜合性的特點，使得各項經營要素的搭配情況直接體現在有關的財務指標和各相關財務項目上。資源合理配置原則的核心就是要求現代企業的相關財務項目必須在數額上和結構上相互配套與協調，以保證人盡其才、財盡其用、物盡其用，從而獲得較為滿意的效益。

4.利益關係協調原則。利益關係的協調直接影響到現代企業財務管理目標的實現。利益關係協調原則的核心就是要求現代企業在收益分配中（包括稅金的繳納、股利的發放、利息的支付、工薪的計算等）：既要保證國家的利益，也要保證自身和員工的利益；既要保證投資人的利益，也要保證債權人的利益；既要保證所有者的利益，也要保證經營者的利益。以此不斷改善財務狀況，增強財務能力，為提高效益創造條件。

第二單元 看懂並善用「現金流」

財務管理中理財第一步-看懂並善用「現金流」原來你的薪水永遠不夠用，背後真相解析

「薪水太少了，很難存到錢。」說這句話的是我一位高中同學，那天我們約在台北車站附近聊天。 他在科技業上班，年薪剛破百萬，我心裡想著：你這樣都存不到錢，那領 22K 的人情何以堪。看到他肩上揹著名牌包，手裡拿著哀鳳和星巴克，存不到錢的原因應該很明顯了。 「你覺得正常人一年在飲料錢上應該花多少？」我問 「幾千元吧，最多 5 千？」 「如果你不喝星巴克，一年可以存下多少錢？」 「我也沒有每天喝……，大概要 2 萬元……」工程師對數字很敏感，他馬上就算出來。其實，很多人薪水不夠用、存不到錢，背後的真相是「沒有正確方式計算收支」。

一杯飲料是 1 萬元，不是 40 元？

工作鬱悶，每天就會想來一杯飲料，只要 40 元，就能換到一個下午的小確幸。但如果每天上班都喝一杯，一年約有 250 天左右的上班日： 40 元x250 天＝10000 元/年 沒錯，一杯飲料的價格就是 10000 元/年。同樣是 40 元的飲料，每天喝 1 杯，和每週喝 1 杯，結果差很大！ 如果每週只喝一杯飲料，一年 52 週，一共只會花掉 2080 元。光是一杯飲料，一年就可以差了 8000 元。

千萬不要小看這些小錢的力量！ 「持續性」的 收入或支出，稱為「現金流」

例如： 薪資收入 22K：每一個月就會 收入 22K 現金流 手機通話費 1000 元：每個月要 支出還貴！

1000 元現金流 股票股利 10 萬元：每年領 10 萬元現金流 車貸、房貸：每月要還一次固定金額現金流 它的特性在於「穩定」、「持續性」的「現金」流入或流出。 明明很少買奢侈品，為什麼薪水還是不夠用？因為你沒有用「現金流」思考。

其實一杯飲料，比一支 iPhone6 還要貴？

例如：一支價格 24000 元的 iPhone6，看起來好像很貴。假設一支手機可以用 2 年（共 24 個月），24000 元分攤到 24 個月，一支 iPhone6 每個月支出等於是 1000 元。而每天一杯 50 元的飲料，每個月支出是 1500 元。看看下面這張表，從現金流的角度思考，飲料竟然比 iPhone6 See more at: http://www.cheers.com.tw/article/article.action?id=5074279&from=share

項目	花費/頻率	現金流
三餐	300/每天	9000/月
飲料	50/每天	1500/月
通訊費	1000/每月	1000/月
衣服	6000/每季	2000/月
房租	8000/每月	8000/月
交通	50/天	1500/月
稅金	12000/年	1000/月
i-phone6	24000/2年	1000/月

其實「飲料」比「i-phone6」還要貴！

反過來說，如果能增加每個月 1000 元的現金流，就等於賺到一支 iPhone6。 同樣的道理，不管是透過加薪、賺外快、或是省下飲料錢，如果每個月都能穩定地多賺到 1000 元現金流，你不只可以買到一支 iPhone，而是可以每 2 年就換一支價值 24000 元新的 iPhone，50 年一共可以換 25 支全新 iPhone！
1000 元看似很少，但如果是「1000 元的現金流」，力量其實非常大。
現金流能把龐大的金額，變成小又明確的目標
例如，想買一間 1,200 萬的套房（先不考慮利息）

方法 1. 賺 1200 萬 這 1200 萬要怎麼賺？還真是個難題。額外多接幾個 case 多賺個 600 萬、靠股票撈一筆賺個 600 萬，這幾百萬聽起來毫無頭緒，全都缺乏確定性。

方法 2. 每月賺 40000 元現金流，持續 25 年 如果改成，你要「賺每月 40,000 的現金流」25 年，就能買下價值 1200 萬的套房。就變成一個比較可執行的目標。
例如：薪水收入增加 10000 元，節省生活費增加 10000 元，股票和基金的利息每月多領 20000 元(每年 240000 元),你就能擁有這間價值 1200 萬元的房子。比起直接賺到 1200 萬，換成現金流，似乎就比較有方向了。

把問題用現金流來解決，能做到的事就變多了。

重點複習：

1. **現金流，指的是穩定且持續性的收入和支出。**
2. **一杯飲料 40 元看似便宜，但每年卻可以花上 10000 元；一支 24000 元的 iPhone，每個月其實是 1000 元。**
3. **把金錢問題換成用現金流來思考，能做的事就變多了。**

- See more at: http://www.cheers.com.tw/article/article.action?id=5074279&from=share

點燃思考

假若你手上有 1000 萬,請問你會如何作投資組合,股票及基金等投資標的會是什麼?

https://www.moneydj.com/forum/showtopic-25571.aspx