

**18MBA201**

# **Corporate Finance**

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**Module- I**

# **Foundations of Finance**

# Meaning & Definition of Finance:

- Finance is the backbone of any business. The business would not be able to run without finance.



- Finance is basically the art and science of managing monetary resources of a business concern and is extremely crucial for the survival of a business entity.
- Finance plays an important role right from the generation of business idea to its day-to-day functioning and up to the liquidation stage of a business.

- Finance helps in procuring of various resources such as raw materials, machinery and equipment, human resources etc and helps to maintain the smooth flow of business operations. Thus, an efficient and healthy financial management system in an organisation is essential.

- “The term finance can be defined as the management of the flows of money through an organisation, whether it will be a corporation, school, bank or government agency”.- ***John J. Hampton***
- “Finance may be defined as that administrative area or set of administrative functions in an organisation which relates with the arrangement of each debit and credit so that the organisation may have the means to carry out the objectives as satisfactorily as possible”.- ***Howard & Upton***

# Nature of Finance Function

- Finance can be broadly classified into 3 decision areas namely *Investment decision, financing decision and dividend decision*.
- **Investment decision** mostly relates to efficient allocation and utilisation of company's funds to invest in selected investment proposals after proper appraisal, depending upon the nature, type and scale of business to maximise the company's profitability and returns in the long-term.

- **Financing decisions** revolves around the acquisition of funds from various sources of finances available to the company.
- **Dividend decision** relates to the company's dividend policy in order to maximize shareholders wealth.



# Scope of Finance Function

- Estimating Financial Requirements.
- Deciding Capital Structure.
- Selecting a Source of Finance
- Selecting a Pattern of Investment
- Proper Cash Management
- Proper Uses of Surpluses
- Implementing Financial Controls

# *Organisation of Finance Function:*

## **Board of Directors**

### **FINANCE MANAGER**

- Cash Management
- Credit Management
- Financial Management
- Security Floatation

### **ACCOUNTS MANAGER**

- Financial Accounting
- Tax Management
- Internal Audit

***Thank you Class...***

***Prof.  
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