

# Financial Management

Core Concepts

**Dr. Varsha Goel**



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Ph. : +91 124-4054392, 090340-06808

e-mail: [earthvisionpublications@gmail.com](mailto:earthvisionpublications@gmail.com)

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*Dedication*

**To My Family**

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# 1

## NATURE AND SCOPE OF FINANCIAL MANAGEMENT

### LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- Understand the meaning and function of financial management.
- Understand the objective and scope of financial management.
- Understand the importance of financial management.
- Financial decisions—investment, financing and dividend decisions.
- Understand the functions of finance manager.
- Understand the organization of finance function.

### 1.1 INTRODUCTION

Financial management is such a managerial process which is concerned with the planning and control of financial resources. Financial management was started as a separate subject of study in the 20<sup>th</sup> century. Till now it was used as a part of economics. As an educational subject, its scope has undergone some basic changes from time to time. In the initial years of its development, financial management was concerned only with collection of funds for business. But according to the modern viewpoint, not only collection of funds but also their proper utilization is the basic function of financial management. In present times, financial management analyses all financial problems of a business. Financial manager has become an important constituent of business and he provides his significant contribution to all