



# **BASIC FINANCIAL MANAGEMENT**

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# Basic Areas Of Finance

1. Corporate finance = Business Finance
2. Investments
3. Financial institutions
4. International finance

# Investments

- Work with financial assets such as stocks and bonds
- Value of financial assets, risk versus return, and asset allocation
- Job opportunities
  - Stockbroker or financial advisor
  - Portfolio manager
  - Security analyst

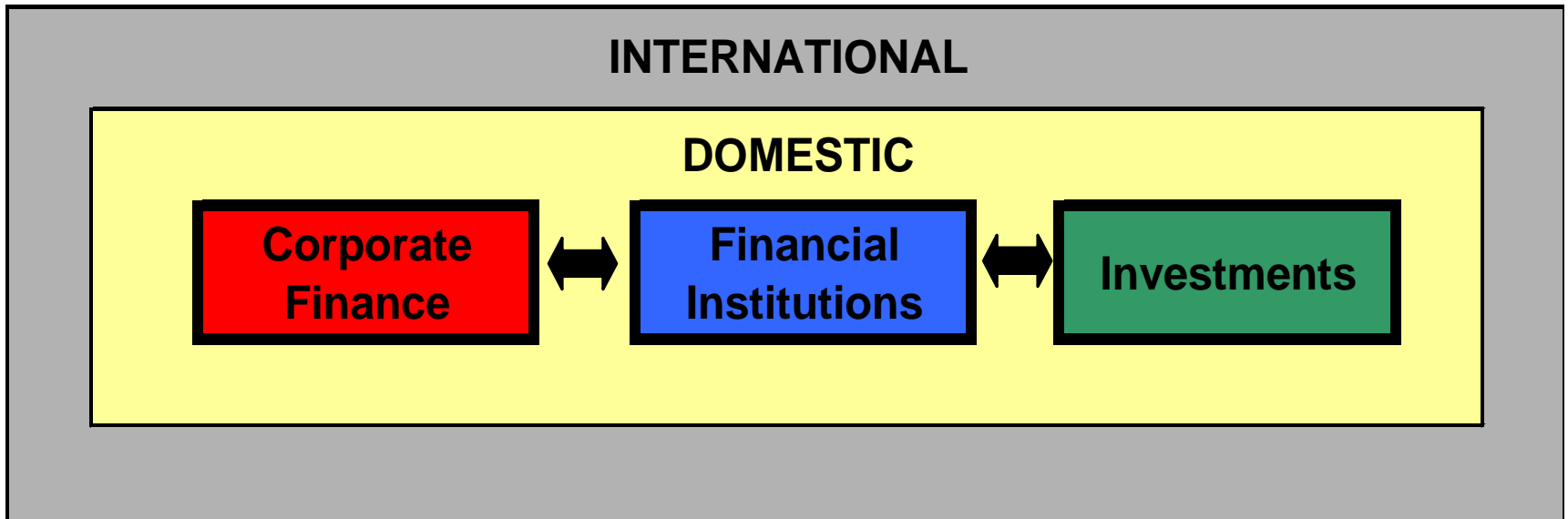
# Financial Institutions

- Companies that specialize in financial matters
  - Banks – commercial and investment, credit unions, savings and loans
  - Insurance companies
  - Brokerage firms
- Job opportunities

# International Finance

- An area of specialization within each of the areas discussed so far
- May allow you to work in other countries or at least travel on a regular basis
- Need to be familiar with exchange rates and political risk
- Need to understand the customs of other countries; speaking a foreign language fluently is also helpful

# Basic Areas Of Finance



# Why Study Finance?

- Marketing
  - Budgets, marketing research, marketing financial products
- Accounting
  - Accounting and finance function, preparation of financial statements
- Management
  - Strategic thinking, job performance, profitability
- Personal finance
  - Budgeting, retirement planning, college planning, day-to-day cash flow issues

# Business Finance

- Some important questions that are answered using finance
  - What long-term investments should the firm take on?
  - Where will we get the long-term financing to pay for the investments?
  - How will we manage the everyday financial activities of the firm?



# Financial Manager

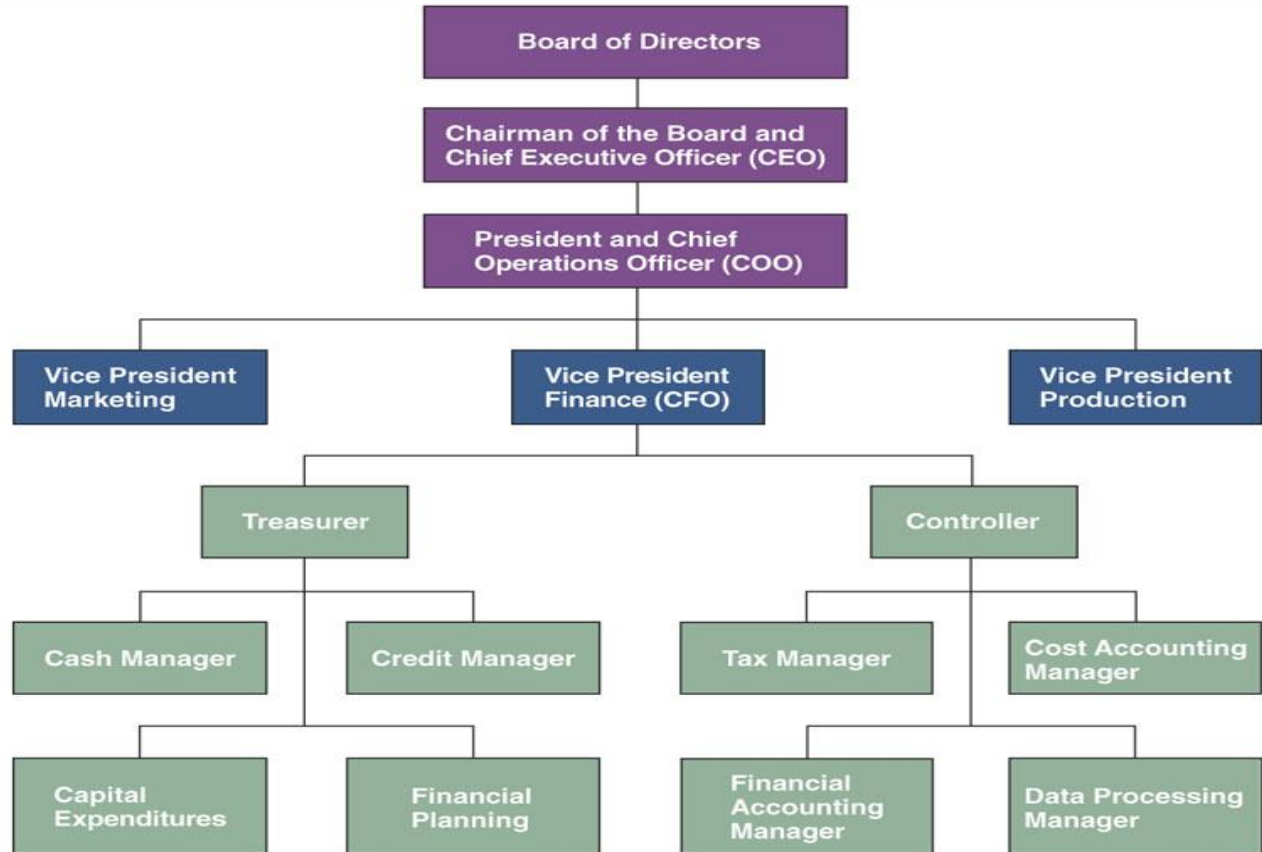
- Financial managers try to answer some, or all, of these questions
- The top financial manager within a firm is usually the Chief Financial Officer (CFO)
  - Treasurer – oversees cash management, credit management, capital expenditures, and financial planning
  - Controller – oversees taxes, cost accounting, financial accounting, and data processing

# Corporate Organization Chart

## Figure 1.1

**FIGURE 1.1**

**A simplified organizational chart.**  
The exact titles and organization differ from company to company



# Financial Management Decisions

- Capital budgeting
  - What long-term investments or projects should the business take on?
- Capital structure
  - How should we pay for our assets?
  - Should we use debt or equity?
- Working capital management
  - How do we manage the day-to-day finances of the firm?

END