

## The Role of Financial Management in a Firm

Examine the role of management as it relates to finance in a corporation. In your post, discuss the role of management by addressing the following prompts:

- Explain the various aspects of finance that management must understand.
- Describe why a manager needs to understand the characteristics and importance of financial markets including their liquidity, competitiveness, and efficiency.
- Interpret the function of the Financial Balance Sheet in assisting in management's decision making process.
- Discuss what could happen if management does not fulfill responsibilities related to finance. Share a real world example from your own professional experience or from an external source.

Your post should be 200-250 words in length.

*Guided Response:* Review several of your classmates' postings. Respond to at least two classmates' by commenting on their example of management not fulfilling its responsibilities. Pose a question to spark discussion regarding what could have been handled differently.

### The Importance of Finance in Management

Often finance is considered a discipline of the accounting department. In my time as a commercial banker I often encountered small and medium sized business owners who thought that finance or financial management could be outsourced to the CPA. In fact the discipline of accounting is much better handled by either the controller or the CPA. The area of finance and financial management cuts across all management disciplines. While it is represented in a corporation by the Chief Financial Officer (CFO), it is critical to all areas of management.

Our text presents financial management as involving planning, forecasting, analysis, and evaluation along with understanding the legal and regulatory issues (Byrd, Hickman, & McPherson, 2013). The text also develops the model of a corporate financial balance sheet to work as a blueprint for the concept (Byrd et al., 2013). This balance sheet outlines the full flow of financial investments and thus cash as it flows through the system. The left side of the balance sheet represents the investments made by the firm. Effectively, there is an expectation that the expenditure of investments will in turn yield revenues or returns to the company. The right hand side of the balance sheet represents the sources of financing. This side of the balance sheet replaces the traditional liabilities and owner's equity section in an attempt to represent that this side furnishes the cash which flows to the investments made on the left side. The financial balance sheet demonstrates management's need to understand where the source of investment funds is generated, how decision about using the investments are made and the ramifications, and finally the need for a balanced flow between investment funds into the company and the regeneration of those funds coming from the investments made with the funds.

### Finance and Management Impact