Unit 6th

Resource Assessment

➢ **Financial resources: -**

Financial resources may be explained as the arrangement of finance. It refers to the flow of money. It is the activity concerned with planning, raising controlling and administering the funds used in the business. Financial resource is a term covering all financial funds of the organization.

According to the 'Gutlumann and Dougall,' 'financial resources can be broadly defined as the activity concerned with the planning, raising controlling and administering the funds used in business'.

Wheeler defines financial resources as, "the business activity which is concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objectives of the business enterprise."

Importance of financial resources:-

1. It helps in financial planning and successful promotion of enterprise.

2. Acquisition of funds as well as required at the minimum possible cost is possible

3. Proper use and allocation of funds.

4. Financial management helps in promoting and mobilizing individual and corporate savings.

5. It is important as it helps in taking sound financial decisions.

➢ **Financial function:** Most important of all business functions. Financial function of a business is closely related to its other functional areas. It is not possible to substitute or eliminate this function because business will close down in absence of finance. The primary aim of finance function is to arrange as much funds for the business as are required from time to time.

- **Aims finance function:**

1. Acquiring sufficient funds: The main aim of finance function is to assess the financial needs of an enterprise and then finding out suitable sources for raising them. If funds are needed for period, Long-term sources like shares, debentures, etc. may be used.

2. Proper utilization of funds: Though raising the funds is important but their effective utilization is more important. Funds should be used in such a way that maximum benefit is derived from them. The returns should be more than their cost.

3. Increasing profitability: The planning and control of finance functions aims at increasing profitability of the concern. To increase profitability, sufficient funds will have to be invested. The cost of acquisition funds also influence profitability of the business. Cost of raising funds should always be less, to have the good profitability.

4. Maximizing firm's value: finance function also aims at maximizing value of the firm. The concerns value is linked with its profitability. Besides profits, cost of funds, demand for products etc. also influence firm's value.

- **Non - financial aspects:**

Relationships of finance function with the other business functions:

1. Purchase function: Materials required for production of commodities should be procured on economic terms. In this function, the finance manager plays a key role in providing finance. Various materials management techniques such as economic order quantity, determination of stocks etc. are also used in order to minimize cost and exercise maximum control.

2. Productivity function: This function occupies a dominant position in business. The production cycle depends on marketing function because production is justified when they

are resulted in the revenue through sales. In production function, a tighter control by the finance manager on investment in fixed assets become necessary, so that there is neither over capitalization nor undercapitalization.

3. Distribution function: This function is most important because it provides continuous inflow of cash to meet the outflow thereof. So, while choosing different distribution channels, media of advertisement and sales promotion devices, the cost benefit criteria should be the guiding factor. Every aspect of distributing function involves cash outflow and every distributary activity is aimed at bringing about inflow of cash, both functions are closely interrelated and should be carried out in close unision.

4. Accounting function: Efficiency of every organization can be greatly improved with correctly recording of financial data. Example the cost of raising funds, expected ROI of such points, liquidity position etc. can be effectively carried out if the financial data so recorded are reliable. Hence, the relationship between accounting and finance is intimate and the finance manager has to depend heavily on the accuracy of accounting data.

5. Personnel function: Personnel function has assumed a prominent place in the domain of business management. A sound personnel policy includes proper wage structure, incentive schemes, HR development, and fringe benefits provided to the employees etc. all these matters affect finance.