



SNS College of Technology

Coimbatore - 35



19BAT609 – Financial Management

Introduction to Financial Management



Presented by

Ms.S.Swarnam
Design Thinker

1st Indian Institution to Implement Design Thinking Curriculum
Redesigning Common Mind and Business
Towards Excellence



Recall

Objectives of Financial Management



RECALL

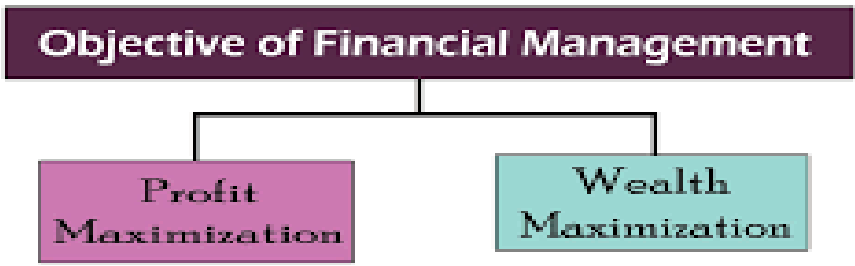


Topic





Objectives of Financial Management

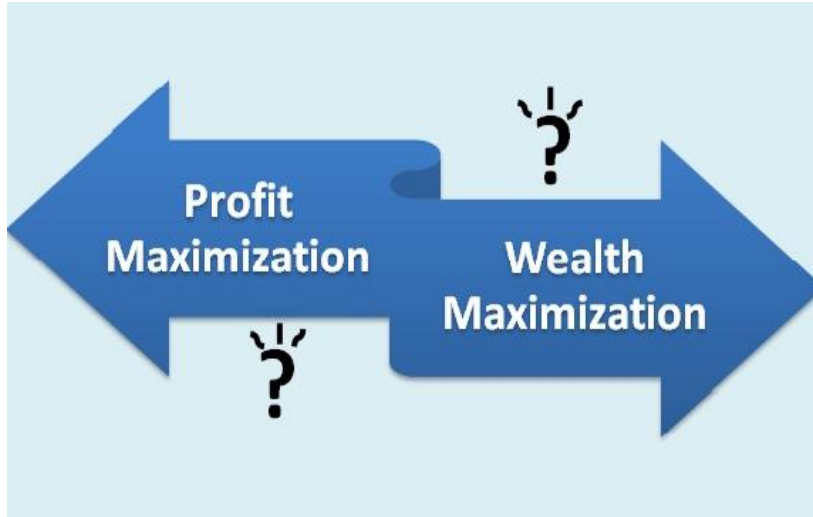




Objectives of Financial Management

Main Objectives of Financial Management

- i) Profit Maximization
- ii) Wealth Maximization





Profit Maximization



Profit Increasing



Profit Maximization





Contd.,



- Profit Maximization means maximising the income of a firm
- Price are determined by the demand and supply conditions as well as competitive forces
- Goods and Services in great demand command higher prices
- Goods and Services which is not required by society, such goods prices falls
- Profit maximization implies:
 - **maximum output for a given amount of input or**
 - **minimum input for a given amount of output**



ARGUMENTS IN FAVOUR OF PROFIT MAXIMISATION



- Natural Goal
- Measure of Efficiency
- Internal Generation of Funds : It helps to finance the growth of business, less dependency on outsiders
- Protection against risks : (profits serves as a cushion) such as increase in costs and severe competition
- Fulfillment of Social Obligations – (in form of maximum dividend to shareholders, higher wages, better quality, timely payment, more employment to society)





Profit Maximization



Limitations of this Profit Maximization

- i) **Vague**
- ii) **Not Considered Time Value of Money**
- iii) **Ignores Risk Factor**
- iv) **Taint of Immorality**



Wealth Maximization



Beneficial to the Owners, Management, Employees and Customers.





Wealth Maximization

- It refers to maximization of the wealth of the shareholders
- It involves maximization of net present value of an investment
- $NPV = \text{Cash inflows} - \text{Cash Outflows}$
- Positive NPV is desirable
- Negative NPV should be rejected
- Finance manager tries to give a maximum dividend to the shareholders
- He also tries to increase the market value of the shares
- Better the performance, higher is the market value of shares

Wealth Maximization



Wealth maximization means maximizing the net present value (or wealth) of a course of action to shareholders.

EsolKotes.com



Wealth Maximization

**WEALTH
MAXIMIZATION**



Elements of Wealth Maximization

- **Increase in profits**
- **Reduction in cost**
- **Sources of funds**
- **Minimized Risks**
- **Long-run Value**



Other Objectives of Financial Management

- **Proper Estimation of financial requirements**
- **Raising of funds at reasonable cost**
- **Maintenance of liquid assets**
- **Maximizations of the profitability of the firm**





Contd.,



- **Working Capital management decisions**
- **Ensuring fair return to the shareholders**
- **Establishment of reserves for growth and expansion**
- **Survival**



Assessment



- **Financial Managers want give more importance to Profits Maximization or Wealth Maximization - Justify**



Summary



- **Main objectives & Others**
Objectives of Financial
Management

SUMMARY





Links



- <https://www.managementstudyguide.com/financial-management.htm>
- <https://www.knowledgehut.com/blog/others/financial-management>
- <https://byjus.com/commerce/scope-of-financial-management/>
- <https://harappa.education/harappa-diaries/financial-management-objectives/>



Reach Us



SNSINSTITUTIONS



SNSINSTITUTIONS



SNSINSTITUTIONS



SNSINSTITUTIONS



SNSINSTITUTIONS

