**B.Com 5th Semester**

**Sub: Financial Management**

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**Meaning of Financial Management:**

Financial Management can be defined as the management of flow of funds and it deals with the financial decision making. It encompasses the procurement of funds in the most economic and prudent manner and employment of these funds in the, most optimum way to maximize the return for the owners. Since, raising of funds and their best utilization is the key to success of any business organization, the financial management as a functional area has go a place of prime relevance in every firm. All business decisions have financial implications and therefore, financial management is inevitably related to almost every aspect of business operations. Broadly speaking, the financial management includes any decision made by a business/ investor that affects its finances.

**Evolution of Finance as a discipline:**

To begin the study of financial management it is necessary to address the central issues of finances such as:

1. Meaning of financial management and role of finance manager and
2. Financial decision making and goal of financial management.

Finance has emerged as a distinct area of study during second half of the 20th Century. But, even before that some direct or indirect references to finance function were made on a casual basis. The evolution of finance function and the changes in its scope appeared due to two factors such as the continuous growth and diversity in business, the gradual appearance of new financial analytical tools. Broadly speaking there are three overlapping phases of evolution of finance functions.

**Finance as an area of study:**

Finance as an area of study is concerned with two distinct areas viz. financing and investing. Financing deals with the management of sources of capital. The financing area concentrates on the type, size and composition of capital resources. Investing on the other hand, deals with management of uses of capital. The investing area therefore, concentrates on the type, size and composition of investment of capital. Both these areas of study are considered as part of financial studies.