Research on the importance of financial planning finance essay

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The financial plan is an important part of both the business plan and of the entrepreneur's day-to-day management of operations. The financial planning puts the entrepreneur in touch with the realities of a financing request. This understanding will help clearly identify the amount of financing needed, the purpose for the funds, the length of time the funds are needed, and how the financing will be repaid. These issues are of key concern to the prospective financier

Financial Plan

The various operating plans prepared by the entrepreneur indicate where the firm is expected to go and how it will get there. The financial plan estimates and plans for the financial needed to implement these intentions. It, along with the market analysis and marketing plan, is the most critical component of the business plan. (Arthur and Stephanie, 1995)

Some entrepreneurs might think of the financial plan as being strictly " about the numbers," it is much more than that by providing a basis for making many decisions about the business. Decision such as how many employees to hire, what suppliers will be used, and what equipment will be purchased will be largely made while completing the financial plan. As is true with marketing and operations, one plan has to be streamlined with the other. The financial plan needs to reflect the marketing activities and the level of production that were outlined previously in the plan. (Arthur and Stephanie, 1995)

Good financial planning helps a company maximize cash flow with pinpointed resource allocation and investment strategies. On the other hand, that means money can become tied up in long-term investments and investment strategies And if a company's strategic plan or financial plan ends up being woefully wrong, it may not have the money it needs to immediately rectify a problem. (Brian Boone, 2004)

It's much harder to convince shareholders and stakeholders of a company how to properly execute the company's finances; it's easier to get everyone behind a strategy, because it's goal-oriented, not cash-oriented. But the two can be integrated. (Arthur and Stephanie, 1995)

Financial plan calculation statements (shown in Appendixes)

Business Plan

A business plan is a document that is used to guide the new entity created by an acquisition or joint venture project. Business plans vary by project and are shaped by many considerations, but the basis of business plan is the development of the mission, goals, and objectives of the new entity consistent with the strategy, goals, and objectives of the acquiring or the parent company. The business plan includes a fairly detailed financial plan describing the timing and quantities of key financial variables with respect to revenues, expenses, capital outlays, and cash flows. However, providing performance targets and monitoring operational performance, linking management objectives and performance with operational performance, and describing a feedback and control mechanism to assess the new entity performance versus expectations and targets are value-added characteristics.

The business plan is an important communication tool for delivering a consistent message concerning acquiring or parent firm expectations, goals and objectives, priorities, and operational targets of the new entity. Another useful function the business plan performs is to lay out requirements and issues that need to be addressed, coordinated, or resolved. Finally, as the environment and operating conditions change, the business plan provides the structure to evaluate the impact of changes on strengths and weaknesses of new entity. (John, 1999)

A good business plan for a sound business concept can helps to achieve in business goals. It can saves the company's money and time by focusing on the business activities, and giving more control over the finances, marketing, and daily operating and helps to raise the capital of the company. (Rhonda, 2003)

Bank loan

Borrowed money is often the key to building and growing a successful small business. For independent business owners, however, courting lenders isn't always easy. Here's how to make a strong case and win over even the choosiest banks. By Matt Alderton. Small business owners can choose bank loan when they need to borrow money.

But, if the owner having a bad credit record can be a big hindrance in terms of asking financial assistance in the future and this is a fact everyone should remember in making future loans. Messing up with the financial liabilities can land in with a bad credit record. It would be difficult to borrow money with bad record. Financial institutions like banks and even small lending organizations are strict with customers wanting to borrow money with bad record since it might be a bad investment for them. People in dire need of financial assistance with a bad credit record can just put them in the brink of bankruptcy.

5. 0 Question 3. 1

The company’s projected sales are exceed the company objectives and the company accountant decides to advise the Board of Director later, therefore the company’s financial plan may be ineffective because of the delaying release the information to the Board of Director.

As there the demand is higher as the company’s objective, the delaying to inform the Board of Director about the exceed sales, the director will unable to borrow loan from the bank because of the qualification may be failed. Mostly, bank wouldn’t borrow loan to high-risk borrower due to the poor credit profile of the borrower, the bank would worried that the borrower might not affordable to payback for the loan if the company is almost facing a huge run out of funds. The financial plan will be ineffective and confused all the operating system of the production.

Therefore, the company would face the problems like insufficient production resource and raw materials to produce goods to the customers, and the lack of fund to make payments like insufficiency to pay salary to workers or any other operating expenses. It will also cause the lack of confidential from the customer because of the lack of production material in the company. The poor financial planning might caused the company get into debts as well and it will lead to bankruptcy that failed of business.

(1078 words)