

Free role of financial management in a firm essay example

[Business](#), [Company](#)



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The financial success of a business crucially depends on the financial management of the organization or firm. It is a key component that the general management of the organization must consider in order to succeed. Financial management is comprised of the tactical and strategic goals set and are associated to the financial resources of the business. There are particular roles included in the financial management systems such as bookkeeping, accounting, accounts payable and receivable, investment opportunities, and risk.

One of the most crucial aspect of finance that the management has to understand is how the economy of the firm and how to allocate its scarce resources. Financial management utilizes the tools of forecasting, budgeting, and variance analysis in order to better manage the capital resources of the firm, as well as its expenses, investments, and its maintenance and growth (Ivan, 2008). In effect, profound knowledge in the behavior of economy and how it directly impacts a financial organization is crucial for financial management.

The statement of financial position or balance sheet is used by corporations and firms to monitor the financial standing and what the firm owns and what it owes. It contains a summarize information of the firm's assets and liabilities. Without this, it would be difficult for the firm to keep track of the flow of the incoming and outgoing resources.

If the management does not fulfill its responsibilities related to finance, it may affect the entire firm most especially the employees. Budget and salary cuts are likely to occur if for example the monetary investments are not

tracked properly. It might even result to the downfall of the firm if these responsibilities are not met by the management.

References

Ivan, M. V. (2008). Money and the Key Aspects of Financial Management. Seria Științe Economice, 15-20.