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Linking Management with Finance Globalisation has changed the nature of the world. Currently, businesses find themselves operating in diverse environments characterised by stiff competition and a varied markets. The rules of business have changed over time and, therefore, entrepreneurs need to adapt to the ever-changing environment. For example, a majority of firms operate in one market while at the same time running a financial subsidiary in another. Resultantly, there is a need to link management tools with financial instruments so as to operate in the diverse and ever-changing environment. The knowledge obtained by combining management and financial study is essential as it facilitates the development of strategic decisions. At the same time, the two disciplines ensure effective adoption and implementation of policies and plans aimed at achieving the organisations objectives.
Asset allocation is one of the fields where management and financial strategy are often intertwined. This investment strategy involves creating a balance between risk and reward by adjusting the percentage of an asset. Therefore, critical thinking that is a skill obtained in management is significant in determining business’s risk tolerance, goals and investment time frame (Pandey 2009: 70). Moreover, the external environment is often bombarded with issues such as inflation. Inflation is a current issue that can cause significant distortions in the economy. A market that is experiencing inflation discourages savings, reduces economic growth and can discourage investors. Management cannot rely on their knowledge regarding the market. Therefore, management would be expected to conduct research on the environmental forces that would affect its resources and thus inhibit the achievement of the set objectives. When it comes to inflation, management is expected to utilise its financial tools so as to come up with an effective financial strategy that would ensure the firm’s success.
Studying finance is important as it enables a manager to ensure proper allocation of money. The business operates in a financial environment in which there are a constant inflow and outflow of money. Without proper financial management, a firm would be unable to account properly for the financial resources available. For example, if a small business took a small loan and used it to finance its fixed assets. The short loan is a liability that has to be paid back within one year. However, the firm may find it difficult to sell the assets within one year. The company may find itself unable to pay for the loan by the end of the year. Inevitably, the loan becomes a risk to the company’s existence. Through studying finance, a manager can understand the forces operating in the financial environment (Pandey 2009: 6). This knowledge enables the manager to adopt policies and effectively allocate resources so as to ensure there is no mismanagement of money.
There are two main motivations that fuel my desire for pursuing a Master’s in Finance. First, ever since I was a child, I have always had a passion for mathematics. I have always been fascinated by the singularity of mathematics. Moreover, I have always challenged myself to solve difficult mathematic questions so as to enhance my skill in the field. Second, I have an interest in investment banking, particularly in stock investment. Therefore, knowledge regarding the financial environment is detrimental to ensuring that I succeed in meeting my objectives, in the business environment. In conclusion, pure management concepts are not enough to enable a firm to achieve its objectives. In the ever-changing financial environment, managers need to understand the forces at play so as to ensure their success in the business field.
Reference
Pandey, M. I. (2009) Financial management, 7th Edition, Vikas Publishing House, New Delhi.