

Business failures

[Finance](#)



Business Failures Business Failures There are various reasons due to which businesses fail and one of the reasons is inappropriate financial management. One of the tough decisions regarding financial management that organizations have to take is do decide the amount of cash the organization should invest in the business and the amount of money it should keep in hand. In order to solve this issue the organization can develop a safety net. This means that the organization needs to ensure that the organization has enough money in order to pay for six months of expenses that may be incurred in future (Keenan, 2011, p. 57). This does not necessarily means that the organization needs to keep the money locked up in bank or in hand. Instead the organization should invest the money in assets and investment options that can be easily converted into case when required. For example the company can invest the money in a bank's saving account to earn returns on this amount of money (Whittington, 2012, p. 631). Another issue that organization may fail in relation to financial management is overestimation and underestimation of budgeted revenues as well as expenses that the business may incur in future. In order to ensure that the company continues to operate successfully and the company has the required financial resources to pay off its loan, the company should indulge in underestimation of the sales of the company (Etzet, 2007, p. 175). In order to estimate the sales the company can conduct interviews with the customers regarding their intention to purchase the goods and services and how often they may do so (Jenster, 2009, p. 189).

References

Etzet, M., Walker, B., Stanton, W., & Pandit, A. (2007). *Marketring*. New Delhi: Tata McGraw Hill.

<https://assignbuster.com/business-failures/>

Jenster, P., & Sølten, K. (2009). Market intelligence. [Frederiksberg, Denmark]: Copenhagen Business School Press.

Keenan, B. (2001). Invest in your debt. North Huntingdon, PA: Invest in Your Debt, Inc.

Whittington, R., & Delaney, P. (2012). Wiley CPA exam review 2012. Hoboken, NJ: John Wiley & Sons.