The difference between financial objectives and strategic objectives finance essa...

Financial Objective means the financial requirements or goals that a company or an organization plan for the future. In simple words it means to set a target how to achieve profit and make more money . But sometimes it also includes the amount of money that is required for a specific goal, the timeframe in which that task must be finished and how to spend the money.

Strategic Objective:

Strategic objectives are one of the most important and an exciting mission of an organisation. For running an organisation successfully the strategic objectives plays a vital role. Any organisation must have to set some policies, rules and regulations to achieve its business targets. Those rules and regulations fall within the definition of strategic objectives. Strategic objectives are always formulated for a longer period of time, not less than three or five years. Strategic Objectives are classified into eight major parts.

Market standing:

It means to check the current position of the organisation in the market, and the competitive environment.

Innovation:

While setting the strategic objectives an organisation must has to keep an eye to improve its services and to develop its goods according to the required changes that occurs with the passage of time and to adopt new techniques and methods.

Human resources:

For the development of an organisation well trained and experienced staff is a very important factor.

Financial resources:

To identify the current financial position and the methodologies to utilize it.

Physical resources:

To check the equipment and how to use it for the betterment of the organisation.

(6) Productivity:

To use the available sources efficiently.

(7) Responsibility

The approachability to the effects on the widespread community of the stakeholders.

(8) Profit Requirement

To set a target to achieve a required profit rate and to increase it within the resources of the organisation.

The above mentioned points shows that an organisation has to focus not only on its internal factors but also has to keep an eye on its environmental factors . The Strategic Objectives are maintained not only to generate profit for the owner of the business but also to give good customer services to the customers as it affects a lot on the success of any business. While making

the strategy of any business it is very important to keep all the aspects of the business in view regarding Finance, Marketing, Customer Services, etc.

DIFFERENCE BETWEEN FINANCIAL OBJECTIVES AND STRATEGIC OBJECTIVES:

In Financial Objectives an organisation only plans for the financial issues of the business. These Objectives only covers how much money needs to invest in the company to achieve the required target. How to earn more profit within the amount available for the business and how to increase the profit ratio and decrease the expenditures . While in Strategic Objectives all the aspects of the business are taken into consideration. Planning to run the business, to invest the money, to hire the employers, marketing, deal with the competitors, etc. So we can say that Financial Objectives covers only financial issues while Strategies Objectives deals with all the aspects of business.

Q NO 2: Identify alternative sources of finance available to the organisation?

Ans: To start a new business or to develop an existing one there is always an issue, from where to collect funds . For this purpose to understand the various sources of finance is very important. Because for different types of businesses there are different types of sources available and it is very necessary to utilise these sources according to the business requirement. There are two types of sources available to the organisation internal sources and external sources

1) INTERNAL SOURCES OF FINANCE:

The funds available immediately within the organisation are the internal source of the organisation. It consists of four factors

a) Personal Savings;

It is internal source of finance. This is the money available in the personal account of the owner or partner of a business.

b) Retained Profit:

In any business not all the profit has been distributed between the shareholders. Some money must be kept in the business account as a retained profit for back up purposes or for the development of the company. This is very important source of finance.

c) Working Capital:

Another internal financial source is that amount of money which a business uses for its every day activities.

d) Sale of fixed assets:

Sometimes a business holds some stuff which is abandoned such as land, machinery, vehicles, etc. This type of stuff can be sold for gaining funds.

EXTERNAL SOURCES OF FINANCE:

There are also some external sources of finance that are available to the organisation

a): Debentures

In order to raise debt capital debentures are issued. These are not the owners of the company but are the long term creditors . The debentures are issued for a specific period of time and then the company has to return the money back to the debenture holder. This is an external financial source.

b) Bank over Draft:

Some of the banks provide its account holders a short term credit facility. By this facility the account holder can withdraw extra money from his account but he has to return the money after a specific period of time. Otherwise he has to pay some extra charges. This is an ideal financial source.

c) Loan:

Almost all the banks provide its account holders the facility of loan. The account holder can borrow the money from the bank for short term or long term time. Some of the banks also provide loans to start a specific business.

d)Hire purchase:

Sometimes a business hire the asset to use and it has to pay for it on monthly basis or as required by the hiring firm. The business also had the option of buying the asset at the end of the payment. It is also a very important external source of finance.

e)Lease:

In lease the leasing company buys the stuff and the organisation has to pay the rent for that.

f) Grant:

Grant is the amount given normally by the government or by some private organisation. Grant is given for the purpose of the betterment of the public. For example a grant may be given to open a school or hospital.

g) Venture Capital:

There is always a chance of failure of a business. Venture capital is that amount which an investor contributes at the initial stages of the business.

Q NO. 3: What is a published financial statement? What are the uses of these statements . explain briefly?

Ans: The official record of the financial activities of a person, business or other entity is known as financial statement. Financial statements are designed to represent the financial situation of an organisation. It also includes the performance and changes in financial position of an organisation that is useful to a comprehensive variety of users in making fiscal decisions. Financial statements are used for internal and external purposes. The financial statements that are used for internal purposes are the one that the management or the employees used for their own information. Mostly the managers of the company set the targets and do the financial planning for the future. The management compare such type of financial statements not only with their statements but also compare them sometimes with the market.

Purpose of financial statements:

To provide the financial information regarding the changes in the financial position and performance of an organisation is the main purpose of financial statements. It helps the management or the owners of the organisation to make economic decisions. Financial statements covers the assets, liabilities equity , income and expenses of the organisation. While setting the financial statements the most important aspect is to keep them understandable for the readers. Because these are to be used by different people for different purposes, the owners or managers use them to make important business decisions. Employees use them making collecting bargaining agreements with the management. Future investors use the financial statements to assess the capability of investing in a business. Banks use them to asses the capability of the individual or an organisation either to grant a debt or not. Government authorities need the financial statements to determine the accurateness of taxes and other duties declared and paid by a company. Vendors require the financial statements to evaluate the soundness of the business. There are four main types of financial statements that shows the profit, loss and the current account details. Balance sheets provides the clear picture of the financial position of an organisation. It covers the assets, liabilities and the shareholder's equity. It means that how much assets an organisation holds, what are the liabilities of the organisation and what are the other forms of the assets that an organisation or the owner of the business owned.

QNO4: What is budgeting? How it helps an organisation to achieve its strategic goals? Explain it.

A budget is an economic text that is used for the purpose of projecting future profit and expenditures. A budget is made by the organisation or an individual to estimate that what would be the expenses and income for a particular project and that could be operated within those available funds and would be able to get the required income. For saving and spending money on a project budget is a plan. A budget is an important concept in microeconomics, which uses a budget line to demonstrate the exchanges between two or more goods. In other words an organizational plan stated in financial terms is known as budget.

The purpose of budget is to make a financial plan for running any project. Without budgeting an organisation cannot do the assessment that how much investment it needs and how much profit it can gain. The main purpose to run a business is to maximise the profit and to spend less. The budget forces you to be severe in thinking the suggestions of your action planning . There are times when the certainties of the budgeting procedure force you to reconsider your action plans. By budgeting you can monitor your income and expenses. It enables you to manage your business activities regarding the need of the amount of money to continue your activities. If you do not have a budget you cannot raise money from donors. Because while deciding that the money you are asking about is reasonable and planned well or not. They keep budget into consideration for their decisions. While making a budget you should keep into consideration the flexibility of it. It should be flexible or inflexible. Because when you are planning for some specific project you

should keep an eye on the fact that with the passage of time the changes could occur in the business environment that can affect the business strategy of an organisation. So the budget should be flexible enough to suit the current environment.

QNO5: Risk management within an organization to achieve is the key element of strategic management, do you agree with this statement? If yes explain it.

The Risk management means to identify asses and prioritize the risks to a management in order to reduce, monitor and regulate the prospects and influences of ill-fated happenings or to increase the recognition of chances. Whenever an organisation makes a plan for any project there is always a chance of risk in the success or failure of that project. The risk to a management can come from different sources. Sometimes the project fails; legal liabilities could be a major risk to the management, credit risk, natural calamities, unexpected accidents, uncertainty in financial markets. So while making a plan for any business or project risk to the management should always be kept into consideration and should make the strategy according to them. The strategies to accomplish risk contains shifting the risk to another party, avoiding the risk, decreasing the negative effects of the risk and accepting some or all of the significances of a specific risk. An ideal risk management always decreases spending and adverse effects of risks. I believe that risk management within an organisation is the key element of strategic management. Because while making the strategies of any business the risks to the organisation could not be avoided and the organisation has

to make the strategic plans according to the risks which are expected to come in the way of success of that plan.

Identification

It is very important to identify a risk before managing it. Once the risk has been identified its easy to find out the solution for it or to lessen the expected loss causing by it.

Assessment

After identification the assessment is very important. To evaluate the severity of the impact is often very difficult for immaterial possessions. To measure the loss n negative impacts of the risk is another key factor in risk management.

Prioritize Risk reduction

To prioritize the risk reduction is the measuring base of the strategy

I am discussing the risk management of the Tesco which is one of the biggest retailers in the world and its business is world wide.

RISK MANAGEMENT OF TESCO

Political factors;

Tesco is one of the biggest food traders in the world . Tesco is operating in a worldwide environment its performance is highly influenced by the political

and legislative conditions of different countries wherever Tesco is operating the business.

Economical Factors;

The economic condition of the country is the main factor that affects the business strategy of the organisation. The economic factors influenced the Tesco's products demand, costs, prices and profits. The most influential factor on the economy is the unemployment rate that is increasing day by day. This factor decreases sale rate and demand of product of Tesco. These economical factors are outside the control of Tesco.

Social Factors:

The social factors are another reason of amendment in the strategy of any business or company. Tesco has increased its non food items amount for sale. Nowadays customers are very much concerned about the health and hygiene issues. Tesco is adapting to increase the organic products in its sale items.

Technological factors:

Technology is a very vital factor that has improved the Tesco's products quality. Day by day new technologies are being introduced in the market. It is a very strong factor to risk management. The new technologies have raised the customer's satisfaction because goods are readily available and shopping has become more convenient. Tesco stores are using wireless devices, self check-out machine, Electronic shelf labelling, intelligent scale,

Radio Frequency Identification. Customers can also buy stuff online from Tesco which is another positive point of Tesco.

Q NO. 6 Draft a sample balance sheet

Balance Sheet

Balance sheet is the document that shows the financial condition of any business or company.

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