Ans= 2 Concepts of Financial Management

A firm organizes manufacturing capacities for the production of goods and Services to be provided to ~~[illegible]~~ customers. They sell the produced goods or services to earn a percentage of profit. Most importantly, a firm needs to raise funds in order to acquire facility such as manufacturing. Therefore, the three foremost activities of a business organisation are:

1. Production
2. Marketing
3. Finance.

There are two concepts of finance functions. These are:

a. Traditional concept of Finance function

b. Modern concept of finance function.

A financial manager is a person who is responsible, in a significant way, to carry out the finance function.

1. ## Traditional Concept of Finance Function

Traditional writer contended that primary responsibility of a finance manager is to raise necessary funds to meet the operating requirements of business. He has to take decisions with respect to the choice of optimum source from which the funds would have to be secured, timing of the borrowing or scale of stock and cost and other terms and condition of acquiring these funds. Planning quantum and pattern of fund requirements and allocation of funds as among different assets, said traditional scholar.

Traditional approach is that it over-emphasized episodic and non-recurring problems like incorporation, consolidation, reorganisation, Recapitalism, and Liquidation and gave little attention to day to day financial problems of on going concerns.

2. ## Modern Concept of Finance Function

Modern scholar viewed finance as an integral part of the overall arrangment rather than as a staff speciality concerned with fund raising operations.

Accordingly, finance manager has been assigned wider responsibility. According to them, it is not sufficient for the finance manager to see that firm has sufficient funds to carry out its plans but at the same time he has to ensure wide application of funds in productive process. thus to carry out his responsibilities effectively it is bounden matching of the benefits of potentional uses against cost of alternative potential sources as to help the managenent to accomplish its brand goal. Recurring finance function and Non recurring finance function are two broad groups in which ~~[illegible]~~ finance function acategorised according to the modern experts.