

Section - 7

[Question No. 2.]

Q. Explain the objective of cash management?

Ans The objective of cash management is a broader term that relates to the collection, concentration and disbursement of cash in such a way as to achieve the general accepting objectives of the firm - maximum profitability with maximum liquidity of the firm.

The main objective of cash ~~flow~~ management

are :-

- Companies need cash to make their requirements, so the first objective is to make payment according to schedule.
- Maintaining Cash level - Excessive amount of cash may remain unused but it also happens to help in quicker payment.
- Cash Flow projection - If you are on a shaky ground, accurate cash flow projection by cash flow management will alert you before any trouble.
- Analyzing clients - It is the most important point in the cash shortage.