

Section-7

(1)

Q Explain the objective of Cash management?

Ans Objective of Cash management is

① Fulfil working Capital Requirement → The organisation needs to maintain liquid cash to meet its routine expenses which possible only through effective cash mgt.

② Planning Capital Expenditure → It helps in planning the capital expenditure and determining the ratio of debt and equity to acquire finance for this purpose.

③ Handling Unorganised Costs ↴

There are times when the company encounters unexpected circumstance like the breakdown of machinery.

These are unforeseen expenses to cope up with: Cash Surplus.

④ Initiates Investment ↴

The other aim of Cash management is to invest the idle funds in the right opportunity and the correct proposition.

⑤ Better Utilization of Funds ⇒

It ensures the optimum utilization of the available funds by creating a proper balance b/w the cash on hand and investment.

⑥ Avoiding Insolvency ↴

If the business don't plan for efficient cash management, the situation of insolvency may rise. It is either due to lack of liquid cash or not making a profit out of the money available.