

Section - 3

Q.1) What is finance function?
Explain the objectives of financial management?
Discuss the various factors affecting the capital structure.
The finance function is the part of financial mgt.
Financial management is the activity concerned.

with the control and planning of financial resources.

In business, the finance function involves the acquiring and utilization of funds necessary for efficient operations.

• Objectives of financial management are:-

- 1) Proper mobilization of funds.
- 2) Proper utilization of resources.
- 3) Earning more profits.
- 4) Maintaining liquidity.
- 5) Maximizing Shareholders Wealth.
- 6) Reserves
- 7) Increase in overall efficiency.
- 8) Generates goodwill.

• Important factors affecting the choice of Capital Structure:-

- a) Cash flow position.
- b) Interest coverage ratio - ICR.
- c) Debt - Service coverage Ratio - DSCR.
- d) Return on Investment - ROI

- e) Cost of debt
- f) Tax rate
- g) Cost of equity capital
- h) flotation costs
- i) Risk consideration
- j) flexibility
- k) Control
- l) Regulatory framework
- m) stock market conditions
- n) capital structure of other companies
- o) Companies.