

The Finance Function is a part of financial management. 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.

1. To ensure regular and adequate supply of funds to the concern.
2. To ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.
3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.
5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

The various factors which influence the decision of capital structure are:

- Cash Flow Position: ...
- Interest Coverage Ratio (ICR): ...
- Debt Service Coverage Ratio (DSCR): ...
- Return on Investment: ...
- Cost of Debt: ...
- Tax Rate: ...
- Cost of Equity: ...
- Floatation Costs: