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. Finance is the lifeblood of business without it things wouldn't run smoothly. It is the source to run any organization, it provides the money, it acquires the money.

The Finance function has been classified into three:

- **Long-Term Finance**– This includes finance of investment 3 years or more. Sources of long-term finance include owner capital, share capital, long-term loans, debentures, internal funds and so on.

- **Medium Term Finance**– This is financing done between 1 to 3 years, this can be sourced from bank loans and financial institutions.

- **Short Term Finance** – This is finance needed below one year. Funds may be acquired from bank overdrafts, commercial paper, advances from customers, trade credit etc.

Objectives of Finance Functions:

- **Investment Decisions**– This is where the finance manager decides where to put the company funds. Investment decisions relating to the management of working capital, capital budgeting decisions, management of mergers, buying or leasing of assets. Investment decisions should create revenue, profits and save costs.

- **Financing Decisions**– Here a company decides where to raise funds from. They are two main sources to consider mainly equity and borrowed. From the two a decision on the appropriate mix of short and long-term financing should be made. The sources of financing best at a given time should also be agreed upon.

- **Dividend Decisions**– These are decisions as to how much, how frequent and in what form to return cash to owners. A balance between profits retained and the amount paid out as dividends should be decided here.

- **Liquidity Decisions**– Liquidity means that a firm has enough money to pay its bills when they are due and have sufficient cash reserves to meet unforeseen emergencies. This decision involves the management of the current assets so you don't become insolvent or fail to make payments.

Some of the factors affecting the capital structure of a company are as follows:

Capital structure means the proportion of debt and equity used for financing the operations of business.
Capital structure = Debt / Equity

In other words, capital structure represents the proportion of debt capital and equity capital in the capital structure. What kind of capital structure is best for a firm is very difficult to define. The capital structure should be such which increases the value of equity share or maximizes the wealth of equity shareholders.

Debt and equity differ in cost and risk. As debt involves less cost but it is very risky securities whereas equity is expensive securities but these are safe securities from companies' point of view.

Debt is risky because payment of regular interest on debt is a legal obligation of the business. In case they fail to pay debt security holders can claim over the assets of the company and if firm fails to meet return of principal amount it can even go to liquidation and stage of insolvency.