

**Lecture 04 : The importance of Financial Management**

**The importance of Financial Management**

Financial management refers to the strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute. It includes applying management principles to the financial assets of an organization. Financial management is one of the most important aspects in business. (§ 1)

We can't neglect the importance of finance at any time at and at any situation. Some of the importance of the financial management is as follows:

1. **Financial Planning:** Financial planning is an important part of the business concern, which helps to promotion of an enterprise.
2. **Acquisition of Funds:** Financial management involves the acquisition of required finance to the business concern. Acquiring needed funds play a major part of the financial management, which involve possible source of finance at minimum cost.
3. **Proper Use of Funds:** It leads to improve the operational efficiency of the business concern. When the finance manager uses the funds properly, they can reduce the cost of capital and increase the value of the firm.
4. **Improve Profitability:** Profitability of the concern purely depends on the effectiveness and proper use of funds by the business concern. Financial management helps to improve the profitability position of the concern with the help of strong financial control devices such as budgetary control, ratio analysis and cost volume profit analysis.
5. **Increase the Value of the Firm:** Financial management is very important in the field of increasing the wealth of the investors and the business concern. Ultimate aim of any business concern will achieve the maximum profit and higher profitability leads to maximize the wealth of the investors as well as the nation.
6. **Promoting Savings:** Savings are possible only when the business concern earns higher profitability and maximizing wealth. Effective financial management helps to promoting the savings. (§ 2)

**Questions**

1. What is the general idea of each paragraph ?
  - Paragraph N:01: .....
  - Paragraph N:02: .....
2. Answer the following questions :
  - a- What is financial management ?
  - b- Financial management is important in any institution. Give the reasons why is it important.
3. Say if the following statements are true or false :
  - a) Financial management is not essential in business
  - b) Financial planning leads to better development of any enterprise
  - c) Financial management is important in increasing money.
4. Find the opposites of each word ( from the text)
  - Excludes ≠ ..... (§ 1)                      Strong ≠ ..... (§ 2)
  - Maximum ≠ ..... (§ 2)                      Lower ≠ ..... (§ 2)
  - Decrease ≠ ..... (§ 2)
5. Find the synonyms of each word (from the text)

Consists = ..... (§ 2)  
Utilizes= ..... (§ 2)  
Domain = ..... (§ 2)  
Purpose = ..... (§ 2)

- Translate the text into Arabic. ترجم النص إلى اللغة العربية.

## للحفظ :

- **Financial management** refers to the strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute.

• تشير الإدارة المالية إلى التخطيط الاستراتيجي والتنظيم والتوجيه والسيطرة على المشاريع المالية في منظمة أو معهد

- **the importance of the financial management:** أهمية الإدارة المالية:

-Financial Planning التخطيط المالي

-Acquisition of Funds الاستحواذ على الأموال

-Proper Use of Funds الاستخدام الصحيح للأموال

-Improve Profitability تحسين الربحية

-Increase the Value of the Firm زيادة قيمة الشركة

-Promoting Savings تعزيز المدخرات

## Answers

1. the general idea of each paragraph ?

- Paragraph N:01: definition of financial management
- Paragraph N:02: The importance of financial management

2. a - Financial management refers to the strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute.

b - Financial management is important in any institution because it provides **financial planning, acquisition of funds, proper use of funds, promoting savings: , increase the value of the firm and improve profitability.**

3. **True or false:**

- a- Financial management is not essential in business **False**
- b- Financial planning leads to better development of any enterprise **True**
- c- Financial management is important in increasing money. **True**

4. Opposites of the following words:

- Excludes  $\neq$  includes (§ 1)
- Strong  $\neq$  weak (§ 2)
- Maximum  $\neq$  minimum (§ 2)
- Lower  $\neq$  higher (§ 2)
- Decrease  $\neq$  increase (§ 2)

5. the synonyms of each word (from the text)

- Consists = involves (§ 2)
- Utilizes= uses (§ 2)
- Domain = field (§ 2)
- Purpose = aim (§ 2)
- Fulfill = achieve (§ 2)

