Financing and economic management

Financial management - development, concept, role

evropský sociální fond v ČR
EVROPSKÁ UNIE
MINISTERSTVO ŠKOLSTVÍ, MLÁDEŽE A TĚLOVÝCHOVY
OP Vzdělávání pro konkurenceschopnost
UNIVERZITA OBRANY
INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Content:

1. Financial Management - the theoretical definition,
2. Basic concepts in financial management,
3. Development of methods and financial management,
4. Public sectors - Financial management,
5. Defense sector - Financial management.

1. Financial Management - the theoretical definition

Financial management:

- methods of managing finances,
- budgeting,
- allocation and distribution of financial resources,
- management and effective use of financial resources, management of financial resources,
- financial risk management, and profit distribution
- other financial operations.

1. Financial Management - the theoretical definition

Financial management - definition:

"subjective economic activity, dealing with obtaining the necessary amount of money and capital from various financial resources (funding), allocating money to various forms of non-monetary assets (investments) and profit distributions (dividend policy) in order to maximize the market value of the equity company assets".

1. Financial Management - the theoretical definition

Financing:

- part of financial management,
- understood as a concrete realization of financial management,
- application range of economic and financial rules and principles to maximize the assets of the company or its total enterprise value (firm's wealth).

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1. Financial Management - the theoretical definition

The goal of financial management in a market economy is to maximize its market value.

Manager responsible for financial management across the organization is called the Chief Financial Officer (CFO).

1. Financial Management - the theoretical definition

Financial management has the following main tasks:

A. Raise capital for ordinary and extraordinary business needs and decisions and its structure and its changes (to get a loan, issue shares or bonds, etc.).

B. Decide on the location of the capital.

C. Decide on the distribution of profits.

D. Predict, plan, employ, analyze, control and manage the economics of operation.

1. Financial Management - the theoretical definition

Financial management and financing is influenced by *two factors:*

- the time factor and
- risk factor.

2. Basic concepts in financial management

Financing - Using a series of economic and financial tools and principles to maximize wealth (property) of the company and the value of their shares.

Financial Planning - Complex activity involving the determination of expenditure and income, cost setting limits, future revenues and profit, deciding how to allocate funds and identifying alternative strategies for the case other than the planned development.

Macroeconomic factors – Are wider economic and financial influences and factors that influence directly and indirectly revenue and profit organization (the company).

2. Basic concepts in financial management

Micro decision – Are internal decisions within the company that affect revenues, help control costs and profit organization (the company).

Risk/return trade-off - Required rate of profit (income), which makes the investment in a particular level of risk.

Finances - Represents the portion of assets (property), organization (the company), which takes the form of cash, various forms of deposits with financial institutions and cash equivalents (i.e. Valuables, checks, vouchers for goods and services).

2. Basic concepts in financial management

Financial resources:

1) The financial resources can be considered sources that provide funds and venture capital.

2) Financial resources are summaries of money that the company makes for a certain period of time and by selling their performances.

3) Financial resources are all sales company (the most common definition).

3. Development of methods and financial management

<u>The development of financial management:</u>

1) from the 20s of last century,
2) The 30s - the creation of new organizations,
3) 50s - evaluation of financial flows organizations
4) 60th to 70th years - quantitative methods,
5) 80s - a new money market instruments.

3. Development of methods and financial management

In the area of financial management, attention has focused in recent decades on the design of tools to enable managers to solve problems

1) motion control of working capital,
2) financial analysis,
3) based on the analysis of the content and links within accounting or financial statements.

3. Development of methods and financial management

The definition:

Financial management is generally be described as a process where through funds we manage, organize and determine and influence the objective organization.

Financial management is a dynamic process.

3. Development of methods and financial management

Methods of financial management:

Indicators profit

- EAC, EAT, EBT, EBIT, EBITDA, Gross margin, NOPAT, economic profit, net profit after taxes plus interest,

Value criteria for measuring business performance:

- CFROI (Cash Flow Return on Investment) - CF investment return
- CROGA (Cash Return on Gross Assets) - CF return on gross assets,
- EVA - Economic Value Added,
- etc.

3. Development of methods and financial management

Methods of financial management:

Indicators based on cash-flow:

- Cash flow per share,
- CF return on assets - ROA (CF),
- CF return on total capital,
- CF return on sales - ROS (CF),
- CF solvency,
- CF interest coverage costs,
- etc.

4. Public sectors - Financial management

The definition of the public sector by economic dictionary:

"is a part of the economy, whose goods and services are financed mainly from public budgets.„

We distinguish these *basic functions* of the public sector:

1) Economical,
2) Social,
3) Political,
4) Ethical.

4. Public sectors - Financial management

Public finance - "associated with the public sector and its financing.

More specifically budgets include central, regional, local, public sector organizations budgets and off-budget funds.

In a wider sense also include the actors on the interface of the system of public finance - state enterprises, state-owned banks, insurance companies and other state government agencies and business support institutions."

4. Public sectors - Financial management

The function of public finance:

- allocation,
- distribution,
- Stabilization.

Public finances are important from two points of view, in terms of:

- practical,
- political.

4. Public sectors - Financial management

In the Czech Republic the basic elements of public budgetary system consists of:

- ❑ State budget,
- ❑ Budgets of state funds,
- ❑ Budgets of government departments and budget-funded organizations,
- ❑ Budgets of local governments.

5. Defense sector - Financial management

Financial management subsystem is the main part of the system of economic management. Within this subsystem is implemented budgeting, decision making and organizing financing MoD.

5. Defense sector - Financial management

Financial management processes:

1) budgeting,
2) realization of personal expenditures,
3) financing,
4) accounting,
5) financial control and
6) controlling.

Keywords:
Financial management, uncertainty, risk, financing, financial planning, financial resources, funds, indicator, public good.

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List of tasks for students:

1) Explain the nature and content side of financial management.

2) Explain these concepts in the area of financial management - financial management, financing, funds, financial resources, financial planning, uncertainty, risk, public good.

3) Explain the development of financial management and enumerate some indicators of liquidity, profitability, based on cash-flow.

4) Try to define the content of defense planning (defense plan, planning documentation, principles, and objectives hierarchy - basic concepts).

5) Characterize financial management in the public sector.

6) Explain financial management in the defense sector.