

Introduction to the world of Corporate Finance (Week 1-2)



Identify the goal of the firm

- Explain the various legal forms of business organisations
- Explain why it is important to ensure proper governance of financial management

Fundamentals of Financial Management

- The Role of Financial Management (FM)

FM is the management of all the process associated with the efficient acquisition and deployment of both short & long run resources.



“Goal of the firm”

“Maximise Shareholders’ wealth”

- FM stresses the efficient use of the finance in terms of:
- “Financial Planning & Financial Control”
Financial Planning (FP) – is the establishment of objectives and the formulation, evaluation and selection of policies, strategies, tactics and actions required to achieve them. It is long-term /strategic planning and short-term operation planning.

- Broadly speaking:

FM will need to plan to ensure that enough funding is available at the right time to meet the needs of the organisation.

Objectives of private sector companies

- Firms only exist to maximise the profits so that the stakeholders will be rewarded with reasonable dividends.



How are the wealth of shareholders and the value of a company measured

- If the financial objective of a company is to maximise the value of the company, and in particular the value of its ordinary shares, we need to be able to put values on a company and its shares. How do we do it?

Methods of valuing the business

- a) Balance sheet valuation, with assets valued on a going concern basis.
- b) Break- up basis
- c) Market values

Non-financial objectives (NFO)

- Examples:
 - a) The welfare of employees
 - b) The welfare of management
 - c) The welfare of society as a whole
 - d) The provision of a certain standard or level of service
 - e) The fulfilment of responsibilities towards customers & suppliers

Value for Money

- VFM means providing a service in a way which is economical, efficient and effective.



Question Time

- Which of the following areas of decision-making would be the responsibilities of a financial manager?
- Investment
- Financing
- Dividends
- Marketing

