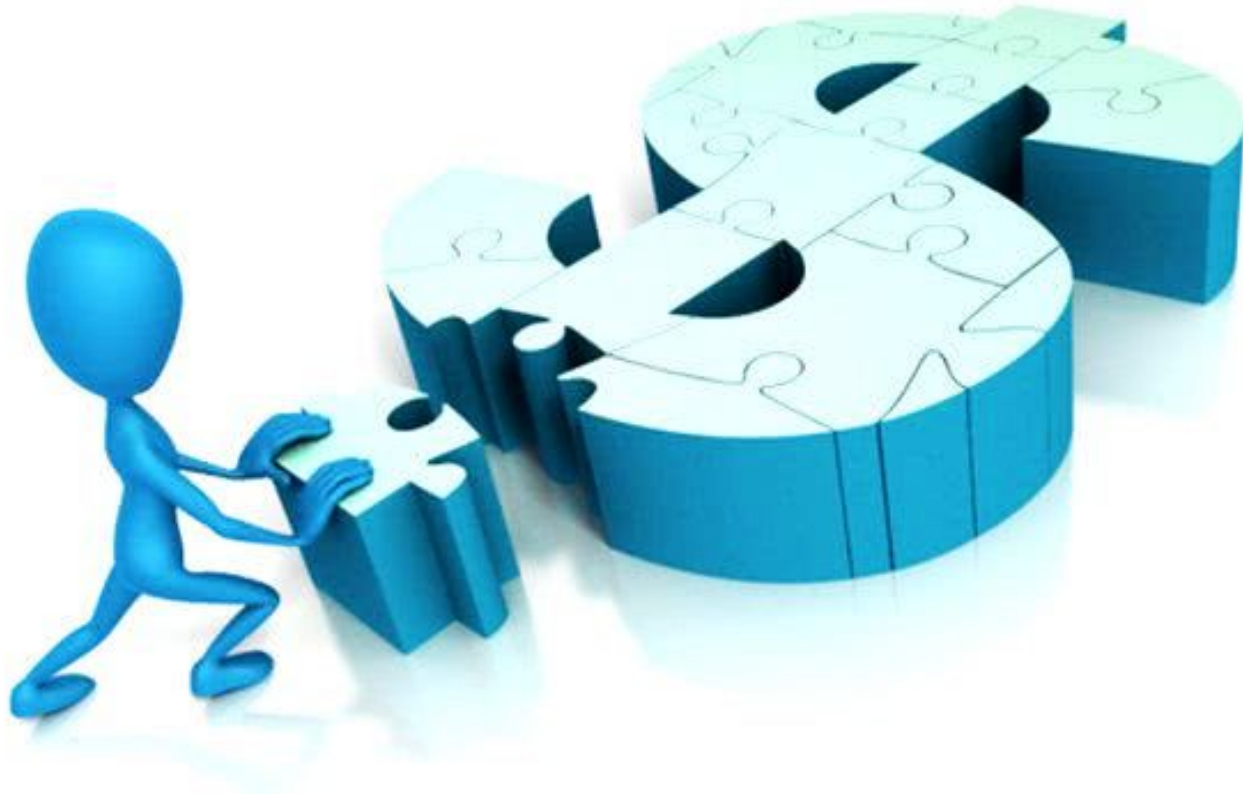


FINANCIAL MANAGEMENT



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Financial management is a system of purposeful actions on the management of the formation, use and distribution of financial resources of the enterprise and optimization of their circulation.



The system of financial management includes:

Formation and implementation of financial policy of the enterprise, financial planning and forecasting.

Information support (compilation and analysis of financial statements of the enterprise).

Analysis and control of financial and economic activity of the enterprise with a view to diagnosing its financial condition, identifying reserves for reducing costs, increasing incomes and profits.

Estimation of investment projects and formation of investment portfolio.

Current financial and economic work and control.

Financial activity occupies an important place in the management of the enterprise, and it depends on the completeness of the financial support of the current production and economic activity and development of the enterprise; therefore, the main purpose of financial management is to: find a reasonable compromise between the objectives set by the enterprise and the financial capabilities of the implementation of these tasks .



Financial management is based on three main concepts:

The concept of present value, the content of which consists in investing capital in order to further increase it. The new received capital must compensate for the initial investment, compensate for its inflationary depreciation and ensure the share of capital increase - profit.



The concept of entrepreneurial risk stems from the previous concept, since the objectivity of assessing the present value of future earnings by forecast data depends on the accuracy of such a forecast and on the completeness of information provision and expert qualifications.



The concept of cash flows consists in developing a policy of an enterprise in relation to attracting financial resources, organizing their movement, maintaining them in a certain qualitative state.

Necessary conditions for the effective functioning of financial management are:

- clear regulation of state regulation of enterprises, based on the system of market legislation;

- entrepreneurship;

- market pricing;

- self-financing;

- labor market;

- capital market.

Financial management is based on the following principles:

1. Integration with the general system of enterprise management means that any management decision directly or indirectly influences the formation of cash flows and the results of financial activities. Hence the need to integrate the decisions of financial management with the general system of enterprise management.

2. Principle of the target orientation - orientation to the goals and tasks that are currently being set up by the enterprise (increased profitability, growth of labor productivity, creation of a positive image, introduction of innovations, strengthening of competitive positions in the market, attraction of material and financial resources, etc. .)



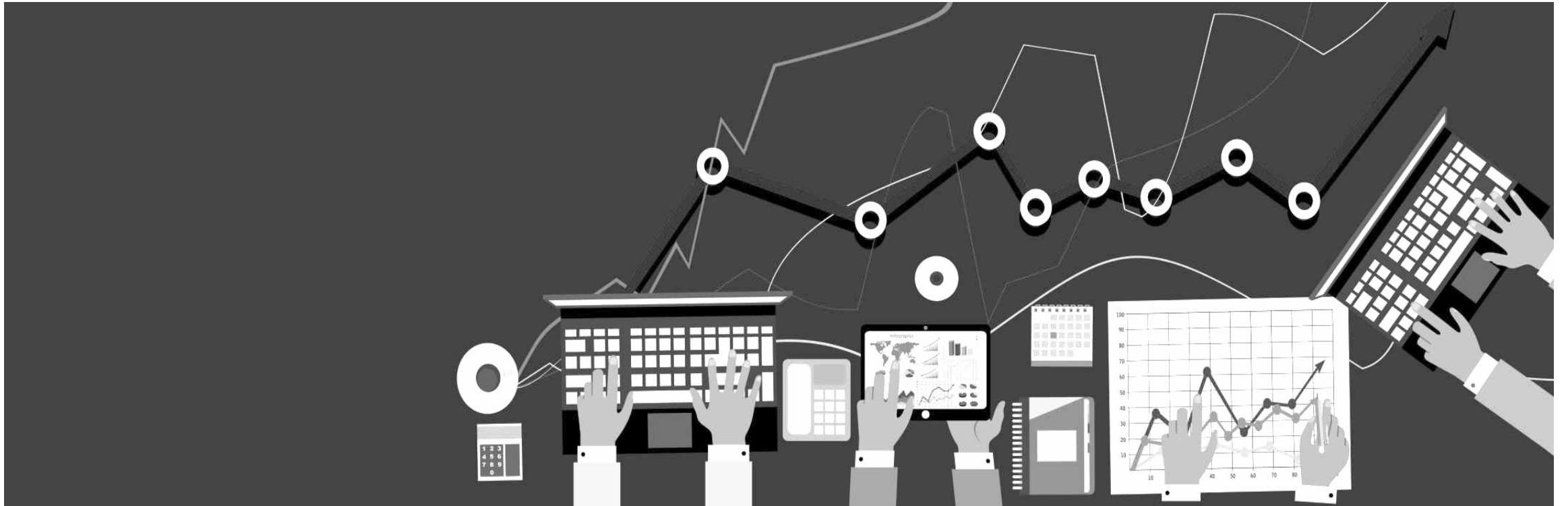
3. Diversification of investment - investing money in various securities and investment projects.

4. Strategic orientation - focusing on the strategy of long-term development of the enterprise, knowledge and consideration of strategic guidance of competitors, advanced management of the company's finances.

5. Variability - forecasting of various variants of development of the financial system of the enterprise, search and substantiation of alternative financial decisions.



The main purpose of financial management is to maximize the welfare (wealth) of the owners of the capital of the enterprise, which finds concrete implementation in increasing the market value of the enterprise (or its shares), that is, obtaining the maximum benefit from the operation of the enterprise in the interests of its owners.



The main purpose of financial management is specified in the system of goals, which differ in degree of formalization, priority and capabilities of quantitative assessment, namely:

maximizing the market value of the enterprise;

profit maximization;

minimize costs;

ensuring profitability of the enterprise;

ensuring the growth of the volume of production and sales of products;

minimize financial risks.

In the process of achieving the main goal, the following tasks of financial management are addressed:

Ensuring high financial stability of the company in the process of its development - is through the implementation of an effective policy of financing the economic activity of the enterprise.

Ensuring the realization of the economic interests of the subjects of financial relations - is carried out through the effective management of the assets of the enterprise, optimization of their composition.

Ensuring minimization of financial risks - is realized through effective management of financial risks, which provides an assessment of certain types of financial risks.

Optimization of monetary turnover and maintenance of constant solvency of the enterprise - is achieved at the expense of effective management of cash flows of the enterprise, maintenance of liquidity of its assets, providing of constant solvency of the enterprise.



Thank you for attention!