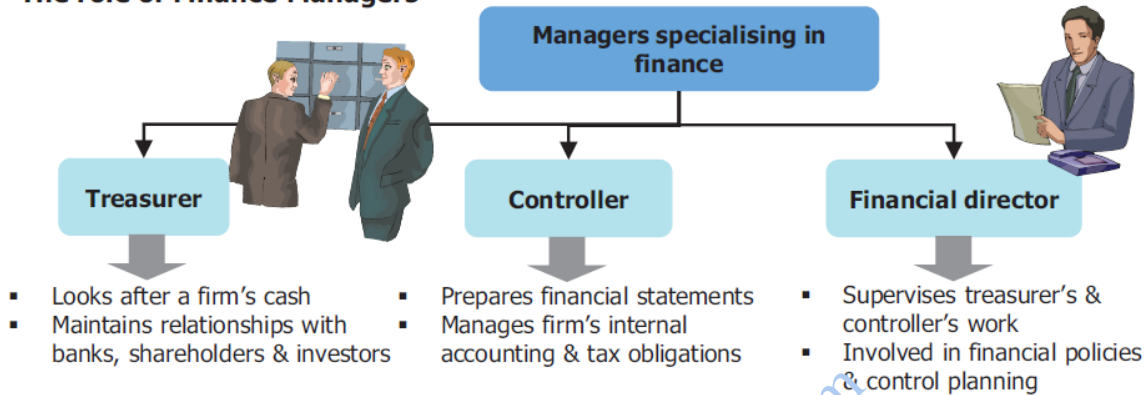


Intro: this Study Guide explains the main roles of a senior financial professional & why their role is important. It will also explain strategy development to meet a firm's goals, establishment of ethical financial policy etc.

BOD of the firm in setting the financial goals of the business & financial policy

The role of Finance Managers



Shareholder wealth maximized by maximizing the purchasing power derived from dividend payment and capital gains

The role and responsibility of senior financial executive/advisor

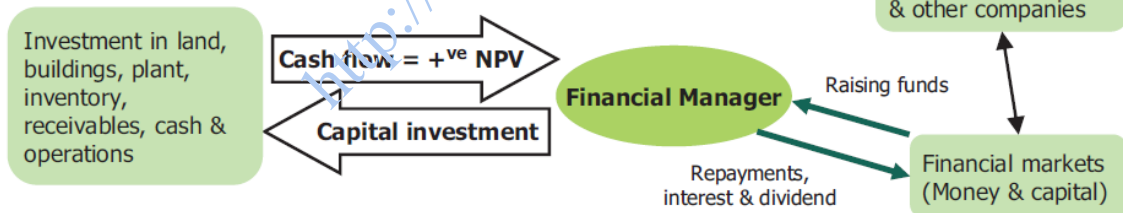
1

Role and Responsibility towards stakeholders

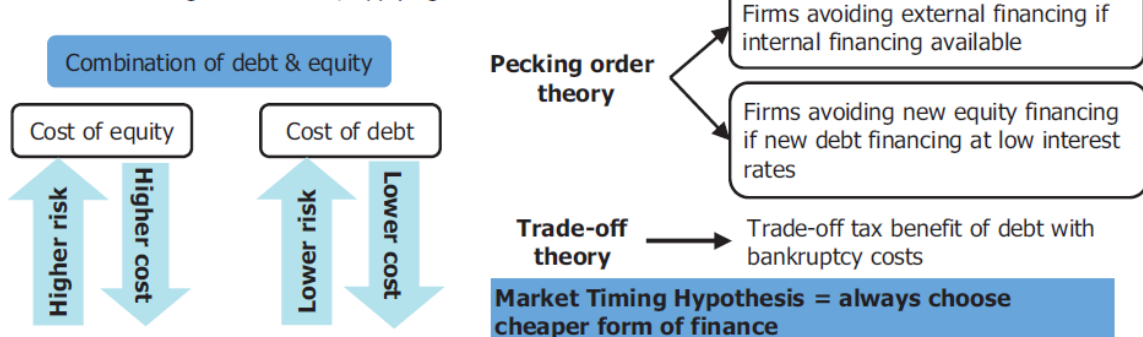
2

Financial manager's key decisions

1. Investment decisions & capital sourcing



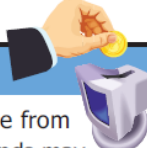
2. Minimising the firm's cost of capital - Management attempts to match the financing mix in terms of both timing & cash flows, applying theories



Distribution & retention policy

Free cash flow theory of dividends	Clientele effect
Simply pay out, as dividends, any cash surplus	Firms maximise their share price & minimise their cost of capital

Interrelationship between investment, financing & dividend decisions

Investment	Finance	Dividends 
Company decides to take on a large number of attractive new investments	Company will need to raise finance in order to invest in projects	If finance is not available from external sources, dividends may need to be cut
If finance not available, company may have to postpone attractive new investments	Lower level of retained earnings available for investment means company has to find finance from external sources	Company decides to pay higher levels of dividends to its shareholders
Due to higher cost of capital the number of attractive projects decreases	Company using more expensive sources resulting in a higher cost of capital	Company's ability to pay dividends in the future will be adversely affected

The role and responsibility of senior financial executive/advisor 3

Role and Responsibility towards stakeholders 4

Financial planning & control

Financial planning	Financial control
Strategic cash flow planning – types of cash flow <ul style="list-style-type: none"> ▪ operational cash flows ▪ investment cash flows ▪ financing cash flow 	Establishing a strong financial control environment <ul style="list-style-type: none"> ▪ employing competent, trustworthy personnel ▪ separation of duties within business ▪ implementing proper procedures for initiating & approving transactions ▪ reporting & monitoring performance ▪ maintaining adequate documents & records

