

Managerial finance

As a branch of finance, managerial finance is concerned with assessing financial techniques used in organizations and public institutions in an effort to determine how they affect both internal and external business processes. In essence, managerial finance mixes managerial and elementary corporate financial aspects to enhance organizations' operations, minimize losses and implement change. As opposed to the technical financial approach, managerial finance seeks to analyze available financial information or data and then derive their inherent meaning in regard to the long term survival of a business. This paper seeks to explicate the role of managerial finance and their implications on the survival of contemporary business enterprises.

Financial statements are instrumental to internal users in that it helps them to make key business decisions. Such users include business owners, employees, managers and other stakeholders with a direct interest in an organization. Performing financial analyses of such statements helps such parties to gain an in depth understanding of their implications on internal decision making processes. On the other hand, external users require financial analyses to make decisions regarding their investments in a given organization. These include the government, banks and other financial partners as well as potential investors.

Following the above discussion, governments will always ask for financial statements to evaluate or ascertain how an organization complies with taxation rules and regulations, whereas financial institutions will require this information to assess the credibility of an organization in regard to lending. According to Ulrike (2010), it is important to note here that the importance and the extent of the managerial finance role differ across organizations and is dependent on the size and operations of such organizations. Typically, the finance function of managerial finance progresses as an organization grows and often leads to the formation of a new department.

In conclusion, managerial finance seeks to analyse financial statements with the aim of equipping stakeholders with the necessary decision making information. Through a financial manager led department, managerial finance seeks to position an organization in line with current financial performance as well as the long term goals of an organization. As such, financial managers are required to be conversant with the existing economic framework and how changes to it may affect the performance of their company. Further, they must be able to integrate economic theory with the technical aspects of finance in order to effectively offer ultimate analyses to interested parties and direct business operations for the overall benefit of the company.