International Journal of Science and Research (IJSR)
ISSN: 2319-7064
ResearchGate Impact Factor (2018): 0.28 | SJIF (2018): 7.426

A Financial Management Equilibrium: Profit and Wealth

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Abstract: ***Equilibrium system of financial management is in place when maximization of profit and wealth coexist. A state in which opposing forces such as risk and profit are balanced. Symmetry of unlikely factors can be achieved via different practices of analysis and management. Risk management is the integral part exposed to all sort of dangers both on account of internal as well as external factors.***

Keywords: Equilibrium, profit, wealth

An Equilibrium of finance constitutes of risk, control and cost. Management of finance is regarded as the life blood of banking industries in today's scenario of digital era.

Modern money oriented economy has a special meaning in management function. Effective utilization of funds results in the acquisition and financing of short term and long term credits of the bank. Fund accretion and persuasive are coherent in nature and supportive when needed.

Equilibrium system of financial management is in place when maximization of profit and wealth coexist. A state in which opposing forces such as risk and profit are balanced. Symmetry of unlikely factors can be achieved via different practices of analysis and management. Risk management is the integral part exposed to all sort of dangers both on account of internal as well as external factors.

Composure of financial management is required when minimum capital is used or there is scarcity in capital with the help of risk management processes.

Transactions in digital era performed with honesty, commitment and dynamism. The bank lays stress on customizing services and personalizing relations and scheme of amalgamation offered full protection of all public deposits. The interplay between liquidity and profitability has been focused by numerous theories. The intention of these theories underlies efforts to investigate, whether there is a relationship between liquidity and profitability in banking industry. Trade-off theory supported the assertion and implied that the risk of the bank is eradicated through higher liquidity; therefore the compensation premium is required to compensate the costs of bankruptcy for investors.

The article identified one pessimistic approach that asserting liquid assets imposes a probability to reduce the costs comparatively to other assets. It is further examined that the analysis of corporate financial performance attained new essence when emerging the impact between market globalization and turbulent economic environment. Managers can effectively predict the future cash flows in the digital era based on macroeconomic stability. In addition, a higher level of liquidity is sustained from high investment opportunities that observe cash flow volatility among unlisted companies and firms. The companies experience confrontation from the higher level of asymmetric information. Thereby, unanticipated financial complexities might be accomplished if banks sustain a high level of liquidity.

As we all have heard about the pitfalls that happen to projects that lack sound project financial management or about a successful project whose primary support given by their business manager or about the project that almost imploded but was saved at the last minute because of good financial management or stewardship. But what is good financial management or stewardship for that matter? does it means being financially sound or making sure that the documents personnel and procurement actions are running as per your institution policies.

As its core, an effective financial management is an ongoing process that features a cycle of good management habits. it means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the institution or organization in a consistent and responsible manner. It also means applying general management principles to financial resources of a project.

In order to successfully manage a project a coherent set of accounting procedures and standards are a must. Not only because they ensure that sponsored programs funded with public or private monies were spent in accordance with due authority, that all transactions were recorded accurately and that a complete audit trail exists to facilitate a post expenditure review but also they are an important tool for the development of your own.

Also it is important not to confuse financial planning with financial management although interconnected. In order to successfully manage a sponsored project the first order of business is to attain full knowledge of your institutional policies and administration procedures. Knowing your institution also means knowing your researchers and the institutions research priorities. Moreover, it also means ownership of administrative and financial processes that will govern the pre and post award phases of any project.

The importance of project management is prominent. Being one of the primary questions that the sponsor asks, It is not a question that is answered well most of time. The project management and financing is the most important action that the sponsor has, after having championed the development of project charter. Being within the responsibility of the project sponsor there is no doubt however of importance that financing has to the project. Without proper funding projects will strive to get the right resources and will be very hard to find the money needed.

The project charter is the process of developing a document that formally authorizes a project or a phase and of documenting initial requirements that satisfy the stakeholder's needs and expectations. The project charter provides the project manager with the authority to apply resources to project activities.

The main components of project charter are "The project statement of work" and The business case". The project statement of work that addresses the business need, the product scope description and the organization strategic plan (especially the way that the project helps fulfill strategic vision). The business case that provides the necessary information that is needed from a business standpoint. The business case is a consequence of (pr a combination of) a market demand, an organization need a consumer request, a technological advance, a social need. Typically, it includes the business need and the cost benefit analysis.

Project charter is developed using as a tool and technique, the "expert judgment" - from other units, consultants, stakeholders (like customers or sponsors), professionals and technical associations, industry groups, subject matter experts and project management offices (PMO).

Project charter documents the business needs, and it should contain the project purpose or justification, the measurable objectives and success criteria, the high level project description, high level risks, summary milestone schedule the summary budget, project approved requirements (what is project success who decides it and who signs off), assigned project manager (responsibility authority level), and name and authority of project sponsor or other individuals authorizing the project. Project charter is the key deliverable in making the decision to invest in this or other projects.

Program charter provides authorization to program management team to use organizational resources to execute the program to the business case or the organizations strategic priorities. According to the project management when it comes to the way that the financing is treated, projects and programs seems to share the same concepts. Even the treatment given to the components within the program management explains that the business case developed for each of the projects that addresses the investment is a responsibility of the program setup phase. Program funding is required to support the program through the initiating and planning phases, until cost and budgeting are researched later.

The process financial control assures that financial control and cost control are executed in the most effective way to ensure that all items are within budget and the financial cash forecast which financial management equilibrium is.

The process of financial administration and records assures that financial information is administered and that records are well made. Inputs are the previously presented financial status reports, contract requirements and project financial plan. Tools and techniques are cost, accounting and financial systems. The outputs are the traceability of the financial systems and lesson learned. Traceability consists of storing the financial records in a well defined and standardized way, preferably using a computer aided financial information storage. Lessons learned should report on the problem areas encountered and corrective action taken.

In the end, Symmetry of profit and wealth is achieved by conventional corporate finance theories signified that optimum level of banking is desired in an equilibrium condition that exclusively ascertains costs and incentives by implementing a zero margin relationship. Cost (Investment is a very well studied area in the project management field. but to properly understand product benefits and operating costs transforming them into expected money and being able to compare them to the investment is much more difficult and required the development of knowledge areas beyond. This work is considered as a preliminary approach to help the development of more deep studies into each of the general parts it contains. On the other side, further investigation is also necessary to improve project measurement systems specially the measurement of the way in which projects serve business strategy and the global organization objectives. This can only be done if we first clearly define and understand that we are referring to when we used the word value.