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Business and Finance

A Brief on How Businesses Manage Money

You may have heard, “You got to spend money to make money,” right? In the business world, many people are actually split on the idea. Businesses question whether they should hoard money and play it safe, or invest their money in hopes of getting more back. Decisions like these are all performed by the financial manager.

A financial manager helps manage finances for a business. Financial managers have many responsibilities and roles. They conduct everyday financial activities, manage risks, and organize long-term investments like stocks and bonds. Their overall goal is to increase the value and health of the business. The importance of finance to a business makes the financial manager a significant job.

Cash-flow management and financial planning are crucial for a business to succeed. A good financial manager effectively manages the flow of cash that enters and exits the business through revenues and debt payments, and describes what the business must do to reach a desired financial position. A single misstep can cause disaster, so it’s important for the financial manager to be decisive and attentive to detail.

Going back to the spend money to make money idea, many critics agree that hoarding money is a bad idea. According to Mark Carney, the former Bank of Canada governor, cash hoards are “dead money.” It’s money that is never being put to good use. However, some financial managers think differently. They may argue that not hoarding cash ignores the realities of financial management. They state that the money is necessary to pull through unexpected events, like the possibility of an economic downturn.

In conclusion, financial managers play an important role for a business. Money to a business is like gasoline to a car. If there are no finances, the business could not run. By effectively planning and controlling finances, a financial manager makes sure a business rises to the top.

References:

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