- **Finance Functions** The **finance functions** can be divided into three broad categories: (1) investment decision, (2) financing decision, and (3) dividend decision. In other words, the firm decides how much to invest in short-term and long-term assets and how to raise the required funds.
- **Shareholders' Wealth Maximisation (SWM)** In making financial decisions, the financial manager should aim at increasing the value of the shareholders' stake in the firm. This is referred to as the principle of **Shareholders' Wealth Maximisation (SWM).**
- **Wealth** Wealth is precisely defined as net present value and it accounts for time value of money and risk.
- **Agency Problem and Agency Costs** Shareholders and managers have the principal-agent relationship. In practice, there may arise a conflict between the interests of shareholders and managers. This is referred to the **agency problem** and the associated costs are called **agency costs**. Offering ownership rights (in the form of stock options) to managers can mitigate agency costs.

- **Financial Manager** The financial manager raises capital from the capital markets. He or she should therefore know-how the capital markets function to allocate capital to the competing firms and how security prices are determined in the capital markets.
- **Chief Financial Officer** A number of companies in India either have a finance director or a vice-president of finance as the **Chief Financial Officer (CFO)**. Most companies have only one CFO. But a large company may have both a treasurer and a controller, who may or may not operate under the CFO.
- **Treasurer and Controller** The **treasurer's** function is to raise and manage company funds while the **controller** oversees whether funds are correctly applied.