

Aims of finance department

Aims of finance department

The [finance department](#) of a business takes responsibility for organising the financial and [accounting](#) affairs including the preparation and presentation of appropriate accounts, and the provision of financial information for managers. The main areas covered by the financial department include:

1. Book keeping procedures.

Keeping records of the purchases and sales made by a business as well as capital spending. These records today are typically kept on computer files. But we still use the term ledger entries to refer to the days when all financial transactions were carefully recorded in thick books (ledgers).

2. Creating a balance sheet and profit and loss account.

Financial statements need to be produced at given time intervals, for example at the end of each financial year. Trial balances are extracted from the ledger entries to create a Balance Sheet showing the assets and liabilities of a business at the year end. In addition, records of purchases and sales are totalled up to create a [Profit and Loss](#) (P&L) account.

3. Providing management information.

Managers require ongoing financial information to enable them to make better decisions. For example, they will want information about how much it costs to produce a particular product or service, in order to assess how much to produce and whether it might be more worthwhile to switch to making an alternative product.

4. Management of wages.

The wages section of the finance department will be responsible for calculating the wages and salaries of employees and organising the collection of income tax and national insurance for the Inland Revenue.

5. Raising of finance.

The finance department will also be responsible for the technical details of how a business raises finance e.g. through loans, and the repayment of interest on that finance. In addition it will supervise the payment of dividends to shareholders.

Management accounts

There is an important distinction between management accounts which involves the provision of information to managers for ongoing decision making, and financial accounting which is concerned with the preparation of financial statements outlining the financial health and performance of a company in previous time periods.