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Financial management in the United States and Factors that Can Make It Perfect

Financial management is one of the most important aspects of American business dealing with the strategic planning, executing, and controlling of financial resources in any organization. financial management includes various financial management principles, procedures, and methods that are applied to the management of a firm’s financial assets. In the United States, financial management includes a wide range of disciplines and areas, including financial planning, money management, fiscal management, capital budgeting, and nonprofit management. However, all of them revolve around the five key elements of finance management, including revenues, profits, operational efficiency, solvency, and liquidity, which are strong indicators of a company’s financial health. Strong liquidity management, prioritized spending plans, and safe investment opportunities are the main factors that can make financial management in the U.S. perfect.

Financial management is viewed as contributing to the improvements in budget structure, reserve policies, and debt management, which help organizations and state-owned agencies to overcome downturns and maintain credit stability. Reliance primarily on structural balance and the alignment of revenues and expenditures is not sufficient without strong liquidity management (“Liquidity and Funds Management,” 2). In the U.S., nonprofit and for-profit organizations should effectively manage their cash flow and identify potential issues that could affect their liquidity before they occur. Having access to additional internal and external sources of liquidity such as pooled cash or loans is not enough because strong liquidity management requires firms to control where cash comes from or in which way it will be returned. Such accountability will improve the sustainability of cash flow and reduce liquidity demands. Otherwise, a liquidity crunch can lead businesses to significant budget misalignments, credit deterioration, and a lack of money to meet their debt obligations in the long run.

Prioritized spending plans pose a challenge for even the most highly rated organizations in the U.S. due to the lack of well-established contingency plans for operating budgets. As it was stated, prioritized spending and contingency plans are essential risk management tools that allow organizations of all types to quickly adapt to changes in the turbulent revenue environment (Ghemawat). The process of developing prioritized spending plans includes an analysis of a company's discretionary budget, revenue flexibility areas, and the timeframe which is needed to increase budgets (Ghemawat). Prioritized spending plans are necessary for businesses to mitigate the effect of economic conditions on their financial health and address budget imbalances when they occur. Having prioritized spending plans is essential for long-term liability management and finance management.

In addition to strong liquidity management and prioritized spending plans, safe investment opportunities help organizations in financial planning and making critical financial decisions that determine the success of financial management as a whole. In accordance with Friedberg, capital efficiency and solvency are of great interest to investors since they ensure good returns on their investments (293). Thus, organizations should have a coordinated revenue-generating strategy that will guide their financial decision-making with regard to the sale mechanism for new shares and profit distribution. The availability of safe and profitable ventures to invest in will encourage investors to make use of their savings and enhance financial management overall.

The maintenance of proper cash flow is also crucial for effective financial management since it allows for earning revenues and converting them into assets. According to Bhat, the quantity, quality, and timing of revenues, which are a company's main source of cash, play a large role in determining a business's long-term success (265). Active cash flow within an organization stimulates revenue concentration and growth as well as helps businesses to survive and remain in the market in times of financial difficulties. The amount of revenues that is generated by a firm during a certain period measures a business's productivity and competitive advantage.

The efficient allocation of funds and profits is essential to financial management because it enables the effective utilization of a company's assets. For example, when a firm earns a large amount of net profit, a financial manager should efficiently allocate it for contingency, innovation, or expansion purposes depending on business conditions ("Liquidity and Funds Management," 5). The proper allocation and mobilization of funds and profits allow for determining the amount of dividends to shareholders. Therefore, appropriately allocated funds and profits help an organization to manage its financial assets and resources.

As a result, financial management in the United States is aimed at maintaining proper supply funds for a company, ensuring good returns on shareholders' investment, optimizing the allocation of funds, and creating safe investment opportunities. With strong liquidity management, prioritized spending plans, and fixed-income investment opportunities, financial management in the United States can become perfect. Calculating the ratios of revenues, profits, operational efficiency, solvency, and liquidity is necessary for monitoring the financial health of an organization and managing its financial assets. Thus, American financial management can be ideal, provided organizations sustain their liquidity, prioritize their spending plans in case of economic uncertainty, and effectively allocate their resources to remain profitable and encourage investment.

Works Cited

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