COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialisation:	M.B.A in Strategy
Affiliated Center:	CEO Business School
Module Code & Module Title:	MGT570-Financial Management
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Word Count:	3686 Words
Date of Submission:	August 29, 2022

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Introduction:

- Defining financial management is the strategic practice of creating, monitoring, and controlling all financial resources to achieve your business goals, this includes many areas of the finances function that revolve around profitability, expenses, cash flaw, and credit to the finance mangers in the accounting, accounts receivable, and account payable teams.
- To build a profitable financial management business strategy, you will need to focus on three basic principles:
    1. Forecasting future financial performance with the help pf financial forecasts and tested functions required to drive growth and prepare capital requirements.
    2. Prioritizing long terms initiatives.
    3. Plans tailored to your business model, market dynamics, and organization.

- Effective financial management planning provides your financial teams with the data they need to support the creation of an endless business plan providing informed decisions about where to invest the insights needed to fund those investments, liquidity, and profitability.
- The competitiveness of your business in the marketplace to help provide continuity, to ensure long terms sales, the business needs some form of financial management to implementing a system to track all revenue streams is important to your organization to help you:
    1. Enabling future financial planning and acquiring funds.
    2. Provide economic stability.
    3. Increase the overall value of your organization, as well as its profitability.
    4. Provide specific data that support important financial decisions.
    5. Optimize your workflow to allocate resources and funds effectively.
- There are many options a company can use to manage its finances, ranging from an external advisor to an internal financial manager, this person or group will need full access to your company’s financial past and present, so they can map out your future.

- **Chapter 1.**

1. Create financial statements and analyze the data:

After kick-off meeting with Coca cola company's stakeholders, they have asked to analyze the financial statements and annual reports in last 4 years since 2018 till 2020, and below are the financial statements for above mentioned period:

1.1.Balance sheet:

Coca cola company balance sheet (In Millions)				
Assets	**2018**	**2019**	**2020**	**2021**
Current Assets				
Cash & Cash Equivalents	9077	6480	6795	9684
Short terms investments	2025	1467	1771	1242
Total Cash	**11102**	**7947**	**8566**	**10926**
Marketable securities	5013	3228	2348	1699
Accounts receivable	3685	3971	3144	3512
Inventories	3071	3379	3266	3414
Prepaid expenses and other assets	2059	1886	1916	2994
Total Current Assets	**24930**	**20411**	**19240**	**22545**
Long Term Assets	**0**	**0**	**0**	**0**
Equity method investment	19412	19025	19273	17598
Other investments	867	854	812	818
Other assets	4148	6075	6184	6731
Deferred income tax assets	2674	2412	2460	2129
Property, plant, and equipment - net	9598	10838	10777	9920
Trademarks with indefinite lives	6682	9266	10395	14465
Bottlers franchise rights with indefinite lives	51	109	0	0
Goodwill	14109	16764	17506	19363
Other intangible assets	745	627	649	785
Total Assets	**83216**	**86381**	**87296**	**94354**

Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	9533	11312	11145	14619
Loans and notes payable	13835	10994	2183	3307
Current maturities of long-term debt	5003	4253	485	1338
Accrued income taxes	411	414	788	686
Total Current Liabilities	**28782**	**26973**	**14601**	**19950**
Long term debt	25376	27516	40125	38116
Other liabilities	7646	8510	9453	8607
Deferred income tax liabilities	2354	2284	1833	2821
Total Liabilities	**64158**	**65283**	**66012**	**69494**
Shareowners Equity				
Common stocks	1760	1760	1760	1760
Capital surplus	16520	17154	17601	18116
Reinvested earnings	63234	65810	66555	69094
Accumulated other comprehensive income (loss)	(12814)	(13499)	(14601)	(14330)
Treasury stocks, at cost	(51719)	(52244)	(52016)	(51641)
Total Shareowners Equity	**16981**	**18981**	**19299**	**22999**
Equity attributable to non-controlling interests	2077	2117	1985	1861
Total Equity	**19058**	**21098**	**21284**	**24860**
Total Liabilities and Equity	**83216**	**86381**	**87296**	**94354**

2.1. Income sheet:

Coca cola company income statement (In Millions)								
	2018		**2019**		**2020**		**2021**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**

Sales Growth Rate			8%		-12%		17%	
Net Operating Revenues	34300	100.00%	37266	100.00%	33014	100.00%	38655	100.00%
COGS	(13067)	38.00%	(14619)	39.00%	(13433)	40.68%	(15357)	39.72%
Gross Profit	**21233**	**62.00%**	**22647**	**60.77%**	**19581**	**59.31%**	**23298**	**60.27%**
Operating Expenses								
Selling, General and administrative expenses	(11002)		(12103)		(9731)		(12144)	
Other operating charges	(1079)		(458)		(853)		(846)	
EBITDA	**9152**	**26.68%**	**10086**	**27.00%**	**8997**	**27.00%**	**10308**	**26.00%**
Depreciation & Amortization	0		0		0		0	
Operating Income (EBIT)	**9152**	**26.68%**	**10086**	**27.00%**	**8997**	**27.00%**	**10308**	**26.00%**
Other Income & Expenses								
Interest income	689		563		370		276	
Interest expense	(950)		(946)		(1437)		(1597)	
Equity income (loss) - net	1008		1049		978		1438	
Other income (loss) - net	(1674)		34		841		2000	
Pretax Income (EBT)	**8225**	**24.00%**	**10786**	**29.00%**	**9749**	**29.52%**	**12425**	**32.00%**
Taxes	(1749)		(1801)		(1981)		(2621)	
NET Income	**6476**	**18.88%**	**8985**	**24.00%**	**7768**	**23.52%**	**9804**	**25.36%**

3.1. Cash Flaw statements:

Coca cola company cash flow statement (In Millions)				
	2018	**2019**	**2020**	**2021**
Operating Activities				
Net Income	6476	8985	7768	9804
Depreciation and amortization	1086	1365	1536	1452

Stock-based compensation expense	225	201	126	337
Deferred income taxes	(413)	(280)	(18)	894
Equity (income) loss - net of dividends	(457)	(421)	(511)	(615)
Foreign currency adjustments	(50)	91	(88)	86
Significant (Gains) losses-net	743	(467)	(914)	(1365)
Other operating charges	558	127	556	506
Other Items	699	504	699	201
Net change in operating assets and liabilities	-1240	366	690	1325
Net Cash from Operating Activates	**7627**	**10471**	**9844**	**12625**
Investing Activates				
Purchases of investments	(7789)	(4704)	(13583)	(6030)
Proceeds from disposals of investments	14977	6973	13835	7059
Acquisitions of businesses, equity investments and nonmarketable securities	(1263)	(5542)	(1052)	(4766)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	1362	429	189	2180
Purchases of property, plant, and equipment	(1548)	(2054)	(1177)	(1367)
Proceeds from disposals of property, plant, and equipment	248	978	189	108
Other investing activities	(60)	(56)	122	51
Net Cash from Investing Activates (used in)	**5927**	**(3976)**	**(1477)**	**(2765)**
Financing Activities				
Issuances of debt	27605	23009	26934	13094
Payments of debt	(30600)	(24850)	(28796)	(12866)
Issuances of stocks	1476	1012	647	702
Purchases of stock for treasury	(1912)	(1103)	(118)	(111)
Dividends	(6644)	(6845)	(7047)	(7252)
Other financing activities	(272)	(227)	310	(353)
Net Cash from Financing Activates (used in)	(10347)	(9004)	(8070)	(6786)
Net Cash Flaw	**3207**	**(2509)**	**297**	**3074**

2. Analyze the date:

After getting the above financial statements we will start to analyze the data as per following points:

2.1. Profitability:

- To analyze company profitability, need to get the following points: Gross profit margin & Operating profit margin & Profit margin & Return on Equity (ROE) & Return on Assets (ROA) and earning per share (EPS).
- 2.1.1.

Details	**2018**	**2019**	**2020**	**2021**
Revenues	34300	37266	33014	38655
Gross profit	21233	22647	19581	23298
Gross Profit Margin	**62%**	**60.77%**	**59.31%**	**60.27%**
Ebit	9152	10086	8997	10308
Operating Profit Margin	**26.68%**	**27%**	**27.25%**	**26.66%**
Net income	6476	8985	7768	9804
Profit Margin	**18.88%**	**24%**	**23.52%**	**25.36%**
Total Equity of shareowners	19058	21098	21284	24860
ROE	**33.98%**	**42.58%**	**36.49%**	**39.43%**
Total Assets	83216	86381	87296	94354
ROA	**7.78%**	**10.40%**	**8.89%**	**10.39%**
Dividends	(6644)	(6845)	(7047)	(7252)
Common stocks	1760	1760	1760	1760
EPS	**7.45%**	**8.99%**	**8.42%**	**9.69%**

2.2. Liquidity / short -term solvency:

- To analyze company liquidity, need to get the following points: current ratio& Quick ratio and Working ratio.

2.2.1.

Details	2018	2019	2020	2021
Total Current Assets	24930	20411	19240	22545
Total Current liabilities	28782	26973	14601	19950
Current Ratio	**0.87**	**0.76**	**1.32**	**1.13**
Inventories	3071	3379	3266	3414
Current assets without inventories	21859	17032	15974	19131
Quick Ratio	**0.76**	**0.63**	**1.09**	**0.96**
Total cash	11102	7947	8566	10926
Cash Ratio	**0.39**	**0.29**	**0.59**	**0.55**

3.2. Long- term Solvency:

- To analyze company liquidity, need to get the following points: Debt to assets & Debt to equity ratio and Times interest earned.

3.2.1.

Details	2018	2019	2020	2021
Total Liabilities	64158	65283	66012	69494
Total Assets	83216	86381	87296	94354
Debt To Assets Ratio (leverage)	**0.77**	**0.75**	**0.75**	**0.73**
Total shareowners Equity	19058	21098	21284	24860
Debt To Equity Ratio	**3.36**	**3.09**	**3.1**	**2.79**
EBIT	9152	10086	8997	10308
Interest expenses	950	946	1437	1597
Times Interest Earned (TIE)	**10**	**11**	**6**	**6**

4.2. Market – based Ratios:

- To analyze market – based ratio, need to see the trend of market share for 4 years.

4.2.1.

	2018	2019	2020	2021
Net Income	6476	8985	7768	9804
Less: net income (loss) attributable to non-controlling interests	(42)	(65)	(21)	(33)
Net Income Attributable to shareowners of the coca cola company	6434	8920	7747	9771
Basic net income per share	1.51	2.09	1.8	2.26
Diluted net income per share	1.5	2.07	1.79	2.25
Average Shares Outstanding	4259	4276	4295	4315
Effect of dilutive securities	40	38	28	25
Average Shares Outstanding Assuming Dilution	4299	4314	4323	4340

4.2.2. The following table shows the year-end closing price of KO stock and annual dividends paid per share.

Years	Closing price at the year end	Annual dividends per share
2018	$47.35	$1.56
2019	$55.35	$1.60
2020	$54.84	$1.64
2021	$59.21	$1.68

5.2. Efficiency / Activity Ratio:

- To analyze company liquidity, need to get the following points: inventory turnover & days sales outstanding & day's inventory outstanding and day's payable outstanding.

5.2.1.

Details	2018	2019	2020	2021
Net Operating Revenues	34300	37266	33014	38655
Accounts receivable	3685	3971	3144	3512
Accounts receivable turnover Time (RTOT)	**9**	**9**	**11**	**11**
Days Sales Outstanding (DSO)	**40 days**	**40 days**	**33 days**	**33 days**
Cost of goods sold (COGS)	13067	14619	13433	15357
Inventories	3071	3379	3266	3414
Inventories turnover Times (ITOT)	**4**	**4**	**4**	**4**
Days Inventories Outstanding (DIO)	**91 days**	**91 days**	**91 days**	**91 days**
Operating Cycle (DSO + DIO)	**131 days**	**131 days**	**124 days**	**124 days**
Accounts payable and accrued expenses	9533	11312	11145	14619
Loans and notes payable	13835	10994	2183	3307
Total Account payable	23368	22306	13328	17926
Accounts payable turnover (PTO)	1.79	1.53	1.00	1.17
Days Payable Outstanding (DPO)	**203 days**	**238 days**	**365 days**	**311 days**
Cash Conversion Cycle (CCC)	**72 days**	**107 days**	**241 days**	**187 days**

- **Chapter 2:**

Recommendations to improve the company business as per the above statements and analyzing:

1. The marketable securities have reduced from $5013 in Y2018 to $1699 in Y2021 which around 67%, so company need to recover that shortfall because it is very liquid items in assets, and it support the company in shortfall in liabilities or any payable payments.
2. The account receivable was very increased to ($3971) in Y2019 comparing with Y2018 ($3685) and decreased again inY2020 was $3144 but in Y2021 has increased to $3512,

so, need to ask the receivable team or salesmen's to recover the payment from customers as much as they can to equal or above the payment receivable in Y2020.

3. The inventories had reduced in Y2018 to Y2019 from $3071 to $3379 which it is good sign because it reflect in revenues which it was $34300 to $37266 but in Y2020 the inventory has reduced to $3266 but it is not reflect in revenue as it has reduced to $33014 which it might be due to more promotions or deal offers during that time, but it has recovered in Y2021 which we need to improve from now on.
4. The loan and notes payable had reduced from $13835 to $2183 between Y2018 to Y2020 but in Y2021 has slide increased to $3307 which need to reduce again below Y2020 amount.
5. The interest expenses have decreased from $950 in Y2018 to $946 in Y2019 but it has increased in past 2 years around 52% ($1437) in Y2020 and around 69% ($1597) in Y2021 comparing with Y2019 and 11.13% increased comparing with Y2020 which it is not good sign if increased this year and effect times interest earned (TIE) as well, so, need to reduce the bank loan and bring back the interest expenses to equal or less Y2019.
6. The net cash flow in Y2019 was minus ($-2509) due to the cash flaw in investment ($3976) and financing ($9004) were highest the cash flow from operating ($10471) but slide increase in Y2020 and big jump was in Y2021 as reach to $3074 which need to continue same or increase it to reach Y2018.
7. The current ratio has decreased from Y2018 t0 Y2019 around 0.11 due to company assets has decreased around $4519 during same period but ratio has increased in Y2020 around 0.56 and decreased in Y2021 to 0.19 due to increase in current liabilities, so, company should reduce the current liabilities or increased the current assets to equal or increase the ratio in Y2020.
8. The account receivable turnover time (RTOT) has increased in last 2 years around 2 times due to days sales outstanding (DSO) has decreased around 7 days and if try to reduce more this year it will help to increase the time of receivable time (RTOT) which it will be more profit for organization therefore it will give the good improvement in operating cycle times as days inventories outstanding has not increased more than 91 days in last 4 years.

- **Chapter 3:**

New Investment project to the company:

In Y2022, coca cola company has planned to increase their financial investment and achieve their strategic objective as well to create a new production which it will be sparkling water and add it in their portfolio, so, to initial this project they have fixed 40% capitalize of total equity in 2021 as budget for that project which it will be $9,944,000 ($24860000 (total equity in Y2021x40%) so the following are the budget plan for next 5 years.

1. Initial investments (Owner equity) = around $10,000,000.

2. Need to do the sales analyzing as per the following point:

2.1. Assume the new product volume comparing with the highest volume product which I have currently.

2.2. If there is any seasonality of the new product.

2.3. Classification the customer who will use the new product.

2.4. Classification the geographic location where we can start to sale the new product

3. Assumption of the income statement for next 5 years.

3.1.

Income Statement (In Millions) assumption for next 5 years					
Details	**Amount**				
	2022	**2023**	**2024**	**2025**	**2026**
Net Operating Revenues	2,000,000	3,000,000	4,000,000	5,000,000	6,000,000
COGS (Average of the last 4Y) which is 39%	(780000)	(1170000)	(1560000)	(1950000)	(2340000)
Gross Profit	**1,220,000**	**1,830,000**	**2,440,000**	**3,050,000**	**3,660,000**
Operating Expenses					
selling	10000	10000	10000	10000	10000

administrative expenses	0	0	0	0	0
General and Marketing expenses and we are excepting to increase 10% yearly	(200000)	(220000)	(242000)	(266200)	(292820)
EBITDA	**1,030,000**	**1,620,000**	**2,208,000**	**2,793,800**	**3,377,180**
Depreciation & Amortization	0	0	0	0	0
Operating Income (EBIT)	**1,030,000**	**1,620,000**	**2,208,000**	**2,793,800**	**3,377,180**
Other Income & Expenses					
Interest income	0	0	0	0	0
Interest expense	0	0	0	0	0
Pretax Income (EBT)	**1030000**	**1620000**	**2208000**	**2793800**	**3377180**
Taxes	0	0	0	0	0
NET Income	**1030000**	**1620000**	**2208000**	**2793800**	**3377180**

4. Assumption of the Balance sheet for next 5 years:

4.1. Account receivable:

4.1.1. Excepting the account receivable days on hand is same last year 33 days.

4.1.2. Excepting the account receivable turnover is same last year 11 times.

4.1.3. AR=SR Y1/AR turnover= 2,000,000 / 11 = 181818, and it will be same applicable for the rest of years.

4.2. Inventory:

4.2.1. Excepting the inventory days on hand is same last year 91 days.

4.2.2. Excepting the inventory turnover is same last year 4 times.

4.2.3. Inventory=COGS Y1/ inventory turnover=780000/4=195000, and it will be same applicable for the rest of years.

4.3.

Balance Sheet (In Millions) assumption for next 5 years					
Details	**2022**	**2023**	**2024**	**2025**	**2026**
Assets					
Current Assets					
Accounts receivable	181818	272727	363636	454545	545454
Inventories	195000	292500	390000	487500	585000
Total Current Assets	**376818**	**565227**	**753636**	**942045**	**1130454**
Fixed assets	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Assets	**2376818**	**2565227**	**2753636**	**2942045**	**3130454**
Liabilities and Equity					
Current Liabilities					
Accounts payable	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0
Other Liabilities	0	0	0	0	0
Total Liabilities	0	0	0	0	0
Shareowners Equity	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Expend working capital	0	0	0	0	0
Retained Earnings	0	0	0	0	0
Dividends	0	0	0	0	0
Total Shareowners Equity	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**
Total Equity	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**
Total Liabilities and Equity	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**

5. Assumption of the Cash flow statement for next 5 years:

5.1.

Cash Flow Statement (In Millions) assumption for next 5 years

Details	**Amount**				
	2022	**2023**	**2024**	**2025**	**2026**
Operating Activities					
Net Income	1030000	1620000	2208000	2793800	3377180
Depreciation and amortization	0	0	0	0	0
Net Cash from Operating Activates	**1030000**	**1620000**	**2208000**	**2793800**	**3377180**
Investing Activates					
Purchases of property, plant, and equipment	2000000	2000000	2000000	2000000	2000000
Net Cash from Investing Activates (used in)	2000000	2000000	2000000	2000000	2000000
Financing Activities					
Loan	0	0	0	0	0
Retained Earnings	0	0	0	0	0
Dividends	0	0	0	0	0
Net Cash from Financing Activates (used in)	0	0	0	0	0
Net Cash Flaw	**3030000**	**3620000**	**4208000**	**4793800**	**5377180**

6. WACC:

6.1. The percentage between liability in Y2021= 73%.

6.2. The percentage between equity in Y2021 = 26%

6.3. Risk free rate (RF) = 7% as per deposit ratio in UAE's bank.

6.4. Country risk premium = 0.49% as per UAE.

6.5. Required rate of return (RRR) = RF + Country risk premium=7%+0.49%=7.49%.

6.6. WACC = the percentage between liability x Debt cost ratio in UAE + The percentage between equity x RRR=73%+6% x 26%+7.49%=6.32%.

7. Present value of investment (PV):

7.1. Future value:

	2022	2023	2024	2025	2026
Net Cash Flaw	**$3030000**	**$3620000**	**$4208000**	**$4793800**	**$5377180**

7.2. PV= FV/ (1+WACC) ^

7.2.1. PV Y1 = 3030000 / (1+6.32%) ^ =2849887.

7.2.2. PV Y2 = 3620000 / (1+6.32%) ^ = 1702407.

7.2.3. PV Y3 = 4208000 / (1+6.32%) ^ = 1319287.

7.2.4. PV Y4 = 4793800 / (1+6.32%) ^ = 1127210.

7.2.5. PV Y5 = 5377180 / (1+6.32%) ^ = 1011508.

7.2.6. PV = 8010299 (total in 5Y).

8. Net present value (NPV):

8.1. NPV=PVCF- Initial investments = 8010299/ (1+6.32%) ^ - 10000000 = -2465858.

9. As per the above result, it is not good idea to go ahead for the new investments.

10. Cost of retained earing (CONT):

RE=bond yield + Risk premium = 10.50%+0.49%= 10.99%.

11. As per the above result, CONT =10.99% and RRR = 7.49%, it is good idea to go ahead for use the retained earnings.

Chapter 4.

Company should pay retained earnings or not:

- In general, there are two types of dividends:

1. Ordinary dividends, which are dividends that the company expects to pay consistently over time.
2. Special dividends, which are dividends that represent "one-time" payments that are used in certain scenarios such as a series of profitable quarters.

3. To decide we need to know the positive and negative points in this case:

3.1. Positive points if company has decided to share the retained earnings:

3.1.1. There are several reasons why companies pay dividends, companies pay dividends as a "thank you" to investors. Companies also pay dividends to show that the company has strong cash flow, which leads to strong investor confidence in the company and thus creates additional demand for shares. This is because investor’s view dividend payments as a sign of strength and positive earnings and as a signal that the company's management has a positive outlook for future earnings.

3.1.2. But if company’s financial situation is good, and that it can increase its profits in the future, indicating that the interest that will accrue to the shareholders in such a case will be double, as he can reap profits from the increase in the market value, as well as from the distributions that the company will make after increasing its profits.

3.2. Negative points if company has decided to share the retained earnings:

3.2.1. But if the company decides to stop paying dividends to its shareholders for any reason, this may lead to a lack of confidence in the investors, which may lead to a drop in share prices and disposing of the shares of companies that do not distribute profits is a logical matter because the shareholders does not get ant returns from keeping the share.

- So, my decision will be company should share the retained earnings because investors are deciding to invest in company to get profit end of the year not to hold his profit for future earnings which it would be having risk.

Conclusion:

- Having a solid and agile financial plan that can center on the latest requirements, needs, and goals of your business is an important component of ensuring your company's long terms success, having a solid strategy can help achieve this heroic feat.
- There are four financial management strategies to achieve your goals:
    1. Evaluate spending and historical profits.
    2. Build your profit and loss.
    3. Determine the budget and proactively track company spending.
- Real time visibility of spending to know how much, when, and where.
- Instant sync with your accounting platforms for ease of use.
- Quick comparison and trend reviews against your current budget and profit and loss.
- An initial view of all company expenses, either by a single user or transaction types.
- You can select one of these strategies or a combination of them to reduce costs and increase revenue, adding a financial management system to your process ensure that multiple strategies are easily followed with minimal errors and manual labor.
- When deciding on the right financial management software for your business, you will need a tool capable of simplifying all your payment collection processes and ensuring compliance with tax and accounting regulations, you will also need the software to be able to eliminate errors, manual work, and potential redundancy at the same time.
- Some additional features of a good financial system include:
    1. Transparency for all payments sent and received.
    2. Coordination of income statements, expense statements and balance sheets.
    3. Balance multiple accounts and locate them easily.
    4. Ensure data integrity and security
    5. Follow up on all commitments and updated records.
- By providing all this budget data, you can make sound decisions that will positively impact your business, a financial management system that can provide transparency and flexibility to accommodate changes means long terms sustainability.

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