J D Women's College

Course Name- MBA (PG)

(1st semester)

Subject-Accounting and Financial Analysis

Topic- FINANCIAL INTELLIGENCE

Faculty Name – Anjali

Faculty member

Department of Management study

Financial Intelligence

(Part2)

Different Stage of Financial Intelligence

In this modern global and competitive business world, it is very important to the companies to enjoy financial success. This financial success can be achieved through financial discipline, goal setting and periodic reviews. Finance intelligence is a combination of art as well as science. Finance intelligence talks about empowering employees with basic finance knowledge so that they can make a sound business decision.

The above image shows that Financial Intelligence involves different stages which are described as follows:

Stage1

Review the past: In this stage past performance of the company review, which helps the manager to decide what went well, what went wrong and what can be improve.

Stage 2

Forecast the future: In this stage the manager forecasts the future financial requirement on the basis of past and future events of company, which is vital to planning. So that the smooth planning will made and lead to financial success. It is important to forecast the future so that various policies can be framed.

Stage 3

Set Strategies and Plans: In this stage strategic planning and strategic action should be set. It is critical to business success and informs all other plans in the organization of concerned department. Strategic planning can provide an overall strategic direction to the management of the organization.

Stage 4

Set Annual Budgets: In this stage budget is prepared. A budget is a spending future plan based on income and expenses. it's an estimate of how much money spend over a certain period of time, such as a month or year Budgets usually represent a detailed analysis of how a company expects to spend money in future time periods. An annual budget process is restricting the amount of time companies spend creating and managing capital resources.

Characteristics of financial intelligence

1. Financial intelligence is only one part of the organizational which may include its employees, systems, physical and intellectual property, and customer and supplier relationships.

2. It will provide the organization with a competitive advantage on adding value to customers.

3. Financial intelligence is capable to reduce uncertainty. It is also identify the feed-back loops to enable better understanding of cause and effect relationships.

4. Financial intelligence processes should be considered a key part of the governance framework.

5. Sufficient management time and resource should be allocated to planning, establishing, monitoring and interpreting various financial intelligence processes.

6. The financial intelligence is an aid to the top management in an organization in understanding tactics in framing strategies.

Function of Financial intelligence

a. To ensure that professionals fulfilling obligations in respect of double checking, customer identification, book-keeping and reporting obligations.

b. To establish and maintain an effective policy and strategies to supervise compliance. It provide high quality financial intelligence to fight against crime, money laundering and terror finance.

c. To understand the overall organization knowledge and provide the organization with competitive advantage to be associated with overall organization strategy.

d. To develop strong legal basis to fight money laundering, financing of terrorism activities and other financial crimes to protect the stability of the financial system. It is also monitoring and supervising the anti-money laundering and anti-financing of terrorism controls.

e. To produce intelligence products that incorporates the analysis of relevant classified information.

f. Financial intelligence units are agencies that receive reports of suspicious transactions from financial institutions and other persons and entities, analyze them, and disseminate the resulting intelligence to local law-enforcement agencies to combat money laundering.

g. To protect the honesty and stability of the company’s financial systems.