



# CFO, n.d.

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CFO

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## CFO

abbreviation

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1. [hirsute](#) 'hairy'
2. [op-ed](#) 'a page of special features usually opposite the editorial page'

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3. collegiality 'the cooperative relationship of colleagues'

4. mistrial 'a trial that terminates without a verdict'

5. hogwash 'nonsense, balderdash'

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## Definition of CFO

chief financial officer

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## Financial Definition of CFO

CFO

abbreviation

## What It Is

The chief financial officer (CFO) oversees the financial operation of a company or organization.

## How It Works

The CFO's job is to coordinate effective financial, accounting and tax strategies to maximize shareholder value. In most cases, the company's chief executive officer (CEO) CFO. Sometimes the CFO has a seat on the company's board of directors.

CFOs have four major responsibilities.

1. **Create Solid Financial Plans.** The CFO oversees the annual budgeting process, which is a critical part of executing most company-related strategies. A clear financial plan gives employees an idea of what to work toward and expect. It also imparts discipline on the organization and reinforces the goal of maximizing shareholder value.
2. **Be a Steward of the Shareholders' Money.** The company belongs to its owners, and the CFO must guard their financial interest in the company. This includes managing the company's overall capital structure by keeping capital costs low, balancing the mix of debt and equity and making sure the company's credit rating is as high as possible.
3. **Oversee the Accounting and Tax Processes.** The CFO must not only plan ahead, he or she must make sure that what has already happened is recorded correctly. The CFO ensures all

accounting rules are followed, participates in the audit process, optimizes (usually this means minimizes) taxes, makes strategic accounting decisions where necessary, and mitigates financial risks (such as variable interest rates, dependence on volatile commodity prices, etc.).

4. **Report and Measure Performance.** The CFO devises and creates financial reports that show and explain the company's financial performance. This ranges from filing required financial statements with regulatory bodies to creating internal reports that foster accountability and measure progress toward key goals. The CFO regularly speaks at board meetings, shareholder meetings and other events where the company's financial performance is discussed. The CFO may also communicate with securities analysts and other special external entities.

5. The accounting department and financial analysts report to the CFO. The information technology, investor relations, payroll and insurance staff usually report to the CFO.

## Why It Matters

Wherever money is involved in a company, so is the CFO, which is why virtually every decision every area of a company requires some attention from the CFO. For example, when the marketing department wants to launch a new campaign, the CFO may weigh in on the availability of funds for the campaign or may impose measurements to ensure the campaign is financially productive. Many CEOs are former CFOs.

Ultimately, the CFO's job is to protect and improve the financial integrity of the company. Good CFOs recognize that financial performance is the single most important factor affecting a company's value, and therefore most CFOs are keenly attuned to how decisions affect share value. When a company shows poor financial performance, the CFO is often held accountable, especially if he or she failed to anticipate the financial trouble far enough in advance to correct it.

Source: Investing Answers

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