

Unit Title: Financial Management	Unit Code: FM
Level: 5	Learning Hours: 160
Learning Outcomes and Indicative Content:	
Candidates will be able to:	
<ol style="list-style-type: none"> 1. Describe corporate finance and its main links to business objectives <ol style="list-style-type: none"> 1.1 Explain the role of the finance manager 1.2 Describe the main business objectives and the links to the finance manager 1.3 Describe and explain how financial planning fits within strategic and corporate goals of a business 2. Describe, explain and calculate the main sources of equity business finance <ol style="list-style-type: none"> 2.1 Explain the differences between, and the advantages and disadvantages of, ordinary shares and preference shares and the different types of share available. Consideration of the factors and costs involved in a plc issuing shares. Explain the differences between a rights issue and a scrip issue 2.2 Outline and describe the equity finance that is available to the unquoted company 3. Describe, explain and calculate the main sources of debt finance <ol style="list-style-type: none"> 3.1 Outline, describe and explain the main sources of debt finance available to any size of business, principally the following: bank borrowing, overdrafts, term loans, trade credit, factoring, hire purchase, leasing and bills of exchange 3.2 Outline, describe and explain the main sources of debt finance available from the financial markets, principally bonds, syndicated loans, mezzanine debt and high yield bonds, medium term notes, commercial paper, project finance, sale and leaseback, and international sources of debt finance 4. Capital project appraisal – describe the main types of investment appraisal techniques available and their advantages and disadvantages and undertake a financial evaluation exercise to determine the most suitable project given any set of circumstances <ol style="list-style-type: none"> 4.1 Explain the principles, benefits and limitations of the following different methods of investment appraisal: payback, accounting rate of return, net present value (NPV), internal rate of return (IRR) 4.2 Evaluate the different types of investment appraisal methods identified in 4.1 above, to determine the most suitable method to use in any given set of circumstances 	

- 5. Dividend policy – examine the factors that determine a company’s dividend policy**
- 5.1 Describe the effect of dividends on shareholder wealth
 - 5.2 Describe the main principles set down originally by Miller and Modigliani (dividend irrelevance) and alternative dividend relevance views
 - 5.3 Describe the main dividend policies that companies might adopt: principally constant dividends, increasing dividends, zero dividends, fixed percentage dividends
 - 5.4 Describe the main alternatives for a business to cash dividends: notably scrip dividends, share repurchases, special dividends and non-financial benefits
- 6. Cost of capital – describe and calculate the cost of capital for a business**
- 6.1 Describe and calculate the cost of equity share capital, both ordinary shares and preference shares
 - 6.2 Describe and calculate the cost of debt capital
 - 6.3 Describe and calculate the weighted average cost of capital (WACC)
- 7. Treasury and working capital management – explain and describe the different elements of working capital and perform calculations from a given set of data to determine the effect on an element of or the entire working capital of a business**
- 7.1 Explain the main areas of treasury and working capital
 - 7.2 Establish the most appropriate balance of financing for a business
 - 7.3 Describe, explain and calculate the working capital cycle and the cash conversion or operating cycle
 - 7.4 Calculate, from a given set of figures, a working capital decision on any of the areas of working capital
- 8. Costing and costing systems – describe costing and explain and calculate costs, using different costing methods**
- 8.1 Define and calculate, using the following different costs, costing methods: absorption costing, marginal costing and activity based costing (ABC)
 - 8.2 Describe and distinguish between job, batch, process and contract costing
 - 8.3 Understand and explain the concepts of marginal costs and revenues and the use of relevant and opportunity costs, and use the concept of contribution and break-even analysis
 - 8.4 Calculate and make decisions, using the different techniques identified in 8.3 above
 - 8.5 Explain the procedures in budget setting and explain and calculate a range of different budgets including cash budgets

9. Describe and explain the processes behind a joint venture, a merger and a takeover and the similarities and differences

9.1 Explain the City Code on Takeovers and Mergers

9.2 Explain the main justifications, financial and otherwise, for mergers and takeovers

10. Describe and explain some of the different types of risk that a finance manager will be affected and influenced by

10.1 Describe and explain the different types of risk that will affect the finance manager such as business risk, insurable risk, currency risk, interest rate risk and political risk

10.2 Explain the significance of gearing, both operating and financial gearing

10.3 Explain the significance and importance of managing the risk of exchange rate movements

10.4 International investment decisions – identify and explain the reasons for foreign investment (such as Government influence, locational factors and labour costs etc), describe different forms of international trade (such as exports, agencies, licences and franchises) and explain the evaluation of foreign investment decisions

Assessment Criteria:

- Assessment method: written examination
- Length of examination: three hours
- Candidates should answer four questions from a choice of eight, each question carrying equal marks.

Recommended Reading

Arnold G, *The Handbook of Corporate Finance*, Prentice Hall
ISBN 0-273-68851-0

Pike and Neale, *Corporate Finance and Investment*, Prentice Hall
ISBN 0-13-371261-3

Arnold G, *Corporate Financial Management*, Prentice Hall
ISBN 0-273-68726-3

Drury, *Management and Cost Accounting*, Thomson Learning
ISBN 1-86152-536-2