

### STAGE 3

<b>Module</b>	Financial Management
<b>Course code</b>	BABSH-FM
<b>Credits</b>	10
<b>Important notes</b>	Available to students who have completed <b>at least two Financial Accounting courses/modules or similar.</b>
<b>Allocation of marks</b>	20% Continuous Assessment 80% Final Examination

#### **Intended Module Learning Outcomes**

On successful completion of this module, the learner will be able to:

1. Describe the financial environment within which organisations must operate
2. Critically evaluate the financial objectives of various types of organisations and the respective requirements of stakeholders
3. Discuss the function of capital markets
4. Explain alternative sources of finance and investment opportunities and their suitability in particular circumstances
5. Assess the factors affecting investment decisions and opportunities presented to an organisation
6. Select and apply techniques in managing working capital
7. Analyse a company's performance and make appropriate recommendations.

#### **Module Objectives**

This module introduces Financial Management and its application in practice. The module focuses on the critical elements of financial decision-making for organisations, including investment decisions, sources of finance, management of working capital and performance appraisal.

The objectives are to:

- Provide the learner with an in-depth understanding of the link between company decision-making and the operation of capital markets
- Ensure the learner understands and appreciates the strong linkages between finance and globalisation
- Demonstrate the importance of working capital management and the tools to manage it
- Help the learner to explore the financial environment in which firms and managers must operate.

## **Module Curriculum**

### **Objectives of Financial Management**

- The relationship between Financial Management and Financial and Management Accounting
- Identify and describe the financial objectives of organisations
- Identify the various stakeholders and their objectives
- Examine Agency Theory and the ways to achieve shareholder objectives
- Financial objectives in Not-For-Profit organisations

### **Investment Appraisal**

- An appreciation of the various evaluation techniques:
  - Payback Period
  - Accounting Rate of Return
  - Net Present Value
  - Internal Rate of Return
- Understanding Discounted Cash Flow
- Identifying relevant Cash Flows
- Impact of taxation

### **Management of Working Capital**

- Understanding the Working Capital Cycle
- Funding of Working Capital
- Problems of Overtrading
- Cash Management, including Cash Budgets
- Sources of short-term finance
- Management of Receivables – credit evaluation, setting credit policy, offering discounts, systems and techniques to control receivables, factoring, invoice discounting
- Management of Payables – important source of finance, impact of discounts offered
- Management of Inventories – use of various models e.g. Economic Order Quantity (EOQ) and Just-in-Time (JIT). Evaluate impact of discounts offered for bulk-buying.

### **Sources of Finance**

- Understanding the impact of Share Capital and Loan Capital on the organisation
- Identifying various providers of finance

- Appreciating the features of the various instruments and their suitability to the organisation
- Leasing – operating and finance leases; sale and leaseback; lease or buy decisions
- Bank Finance
- Venture Capital/Business Angels
- Government sources of finance

### **Performance Appraisal**

- Analysis of the performance of an organisation
- Understand the key ratios (profitability, liquidity, efficiency, gearing and investor) which are used in the evaluation of a company's performance
- Interpret the results and make recommendations for improvement