

FINANCIAL MANAGEMENT

Theme:	Finance
Assessment Weighting:	20% Coursework 80% Examination

INTRODUCTION

This module introduces the basics of Financial Management and their application in practice and provides a foundation for the more complex topics which are explored in the module Strategic Financial Management.

This 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. It presents the central role of financial management in determining an organisation's continued success, and examines the role of financial strategy in achieving corporate objectives.

AIMS

The aims of this module are to:

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

LEARNING OUTCOMES

On successful completion of this module, students should be able to:

- Demonstrate an understanding of a complex body of knowledge relating to the financial environment within which organisations must operate
- Critically evaluate the financial objectives of various types of organisations and the respective requirements of stakeholders
- Recognise the function of capital markets
- Possess a comprehensive knowledge of alternative sources of finance and investment opportunities and their suitability in particular circumstances
- Assess the factors affecting investment decisions and opportunities presented to an organisation
- Demonstrate a sense of judgement in managing working capital
- Communicate effectively in discussion and contribute responsibly to team-work efforts

- Analyse a company's performance and make appropriate recommendations.

SYLLABUS

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

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
- Bank Finance
- Venture Capital
- Government sources of finance

Performance Appraisal

- Analysis of the performance of an organisation
- Understand the key ratios which are used in evaluation
- Interpret the results and make recommendations for improvement