

IKAF CAP-F9 Financial Management Syllabus and Study Guide

*CAP Certified Accountant Professional Qualification Level
(Based on ACCA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

Qualification Structure

It explains the content of Certified Accountant Professional Qualification level, which also includes the Financial Management Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

Module

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

Syllabus Structure

It explains the syllabus content of the module Financial Management, part of the Certified Accountant Professional Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

Study Guide

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

QUALIFICATION STRUCTURE

*CAP Certified Accountant Professional Qualification Level
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The Qualification Program for Certified Accountants particularly emphasises financial reporting skills that have been developed in accordance with International Financial Reporting Standards (IFRS). Certified Accountants will learn the principles and internal control systems for enterprises, audit methods and standards as well as a wide group of business planning, decisions support and performance management skills.

To get Certified Accountant training you must first complete the Qualification for Accounting Technician. Membership for Certified Accountant is open for professional accountants who have completed IKAF Qualification for Accounting Technician.

Certified Accountant Candidates should demonstrate knowledge of Financial Management Module.

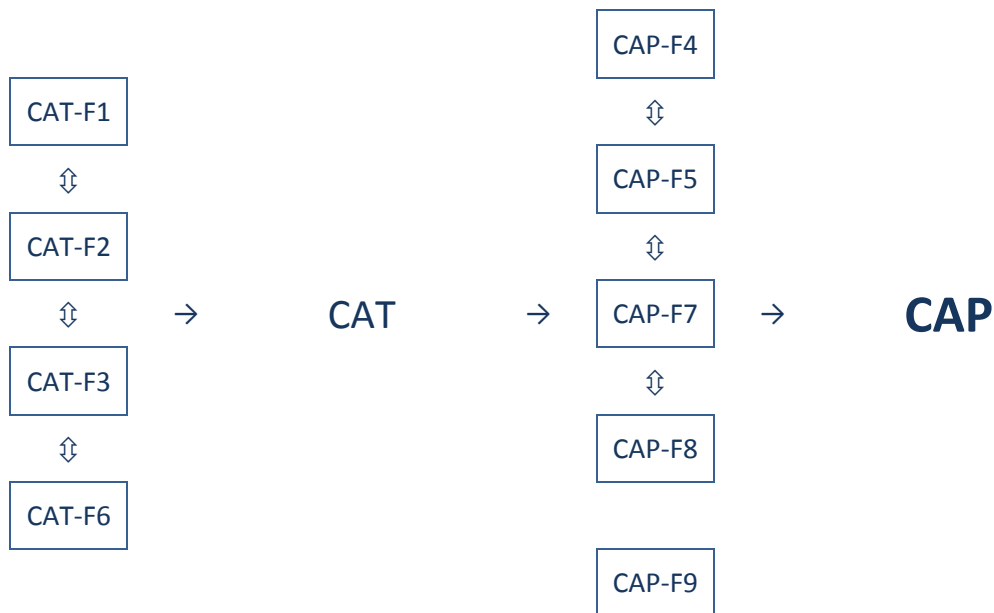


Diagram.1: Certified Accountant Qualification relations with other modules and certified qualifications

Modules

Certified Accountant Qualification consists of five modules and is mandatory to pass all five in order to obtain the title:



Diagram.2: CAP Certified Accountant Professional Qualification Level Modules

Qualification and Membership Criteria: Certified Accountant Professional

- University Degree;
- Completion of Accounting Technician Level;
- Proof for at least three (3) years of verified work experience in accounting - which can be acquired during or after the training;
- Have attended and passed five (5) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Certified Accountant" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Certified Accountant" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

Training Features:

- Comprehensive review of modules and during the training, participants will be provided with case studies, exercises similar to those given in the ACCA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- ACCA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

SYLLABUS STRUCTURE

Rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Relational diagram linking modules

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall Aim

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

Main Capabilities

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Topics

Certain topics that module contains and that will be treated during tuitions.

Examining Structure

This section briefly explains the structure of the examination and how it is assessed.

Annex: Detailed Syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

MODULE

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

Rationale

The syllabus for Financial Management has s direct and indirect links between this exam and other modules preceding or following it. Some modules are directly underpinned by other modules such as Advanced Financial Management by Financial Management. Other modules only have indirect relationships with each other such as links existing between the accounting and auditing modules. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.



Diagram.1: Modules relations

The syllabus, therefore, starts by introducing the role and purpose of the financial management function within a business. The next section of the syllabus is the introduction of investing decisions. This is done in two stages - investment in (and the management of) working capital and the appraisal of long-term investments. The next area introduced is financing decisions. This section of the syllabus starts by examining the various sources of business finance, including dividend policy and how much finance can be raised from within the business. The syllabus finishes with an introduction to, and examination of, risk and the main techniques employed in managing such risk.

Aim

To develop the knowledge and skills expected of a finance manager, in relation to investment, financing, and dividend policy decisions.

Main capabilities

- Discuss the role and purpose of the financial management function
- Assess and discuss the impact of the economic environment on financial management
- Discuss and apply working capital management techniques
- Carry out effective investment appraisal
- Identify and evaluate alternative sources of business finance
- Discuss and apply principles of business and asset valuations

- Explain and apply risk management techniques in business.

Topics

Major topics of Financial Management Module that will be covered during the training:

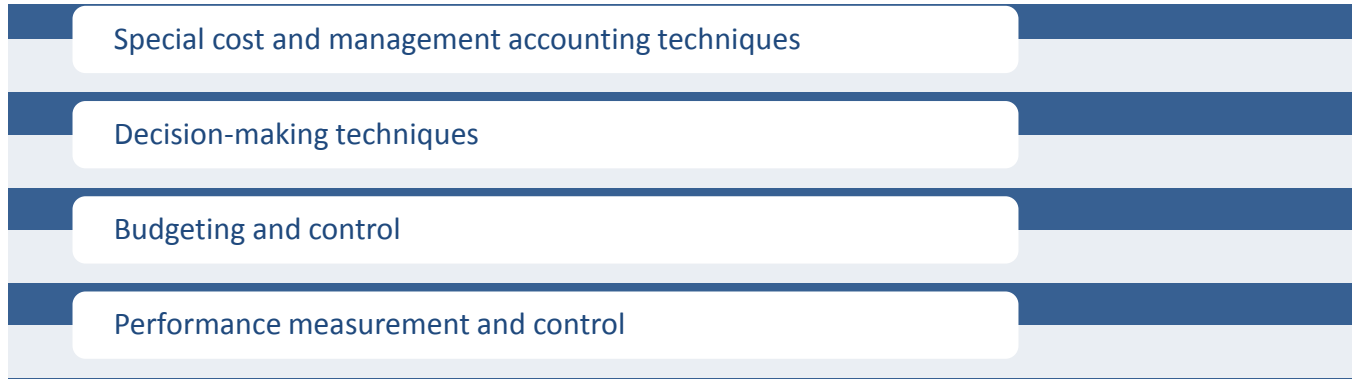


Diagram.3: Topics of Financial Management Module which will be covered over the training

Examination Structure

The syllabus is assessed by a three-hour examination available in paper-based format. * All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

Reading and Time Planning

For paper-based exams 15 minutes are added to the three hours to reflect the manual effort required. The total exam time is therefore three hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

Annex: Detailed Syllabus

DETAILED SYLLABUS

A Financial management function

- A.1 The nature and purpose of financial management
- A.2 Financial objectives and relationship with corporate strategy
- A.3 Stakeholders and impact on corporate objectives
- A.4 Financial and other objectives in notfor-profit organisations

B Financial management environment

- B.1 The economic environment for business
- B.2 The nature and role of financial markets and institutions
- B.3 The nature and role of money markets

C Working capital management

- C.1 The nature, elements and importance of working capital
- C.2 Management of inventories, accounts receivable, accounts payable and cash
- C.3 Determining working capital needs and funding strategies

D Investment appraisal

- D.1 Investment appraisal techniques
- D.2 Allowing for inflation and taxation in investment appraisal

- D.3 Adjusting for risk and uncertainty in investment appraisal
- D.4 Specific investment decisions (lease or buy; asset replacement, capital rationing)

E Business finance

- E.1 Sources of, and raising, business finance
- E.2 Estimating the cost of capital
- E.3 Sources of finance and their relative costs
- E.4 Capital structure theories and practical considerations
- E.5 Finance for small- and mediumsized entities

F Business valuations

- F.1 Nature and purpose of the valuation of business and financial assets
- F.2 Models for the valuation of shares
- F.3 The valuation of debt and other financial assets
- F.4 Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

G Risk management

- G.1 The nature and types of risk and approaches to risk management
- G.2 Causes of exchange rate differences and interest rate fluctuations

STUDY GUIDE

A Financial management function

A.1 The nature and purpose of financial management

- Explain the nature and purpose of financial management.[1]
- Explain the relationship between financial management and financial and management accounting.[1]

A.2 Financial objectives and relationship with corporate strategy

- Discuss the relationship between financial objectives, corporate objectives and corporate strategy.[2]
- Identify and describe a variety of financial objectives, including: [2] i) shareholder wealth maximisation ii) profit maximisation iii) earnings per share growth.

A.3 Stakeholders and impact on corporate objectives

- Identify the range of stakeholders and their objectives [2]
- Discuss the possible conflict between stakeholder objectives [2]
- Discuss the role of management in meeting stakeholder objectives, including the application of agency theory.[2]
- Describe and apply ways of measuring achievement of corporate objectives including:[2]
 - ratio analysis, using appropriate ratios such as return on capital employed, return on equity, earnings per share and dividend per share
 - changes in dividends and share prices as part of total shareholder return

- Explain ways to encourage the achievement of stakeholder objectives, including: [2]
 - managerial reward schemes such as share options and performance-related pay
 - regulatory requirements such as corporate governance codes of best practice and stock exchange listing regulations

A.4 Financial and other objectives in not-for-profit organisations

- Discuss the impact of not-for-profit status on financial and other objectives.[2]
- Discuss the nature and importance of Value for Money as an objective in not-for-profit organisations.[2]
- Discuss ways of measuring the achievement of objectives in not-for-profit organisations.[2]

B Financial management environment

B.1 The economic environment for business

- Identify and explain the main macroeconomic policy targets.[1]
- Define and discuss the role of fiscal, monetary, interest rate and exchange rate policies in achieving macroeconomic policy targets.[1]
- Explain how government economic policy interacts with planning and decision-making in business.[2]
- Explain the need for, and the interaction with, planning and decision-making in business of: [1]
 - competition policy
 - government assistance for business
 - green policies
 - corporate governance regulation

B.2 The nature and role of financial markets and institutions

- Identify the nature and role of money and capital markets, both nationally and internationally.[2]
- Explain the role of financial intermediaries.[1]
- Explain the functions of a stock market and a corporate bond market.[2]
- Explain the nature and features of different securities in relation to the risk/return trade-off.[2]

B.3 The nature and role of money markets

- Describe the role of the money markets in:[1]
 - providing short-term liquidity to the private sector and the public sector
 - providing short-term trade finance
 - allowing an organisation to manage its exposure to foreign currency risk and interest rate risk.
 - Explain the role of banks and other financial institutions in the operation of the money markets.[2]
 - Explain the characteristics and role of the principal money market instruments:[2] i) interest-bearing instruments ii) discount instruments iii) derivative products.

C Working capital management

C.1 The nature, elements and importance of working capital

- Describe the nature of working capital and identify its elements.[1]
- Identify the objectives of working capital management in terms of liquidity and profitability, and discuss the conflict between them.[2]
- Discuss the central role of working capital management in financial management

C.2 Management of inventories, accounts receivable, accounts payable and cash

- Explain the cash operating cycle and the role of accounts payable and accounts receivable.[2]
- Explain and apply relevant accounting ratios, including: [2]
 - current ratio and quick ratio
 - inventory turnover ratio, average collection period and average payable period
 - sales revenue/net working capital ratio.
 - Discuss, apply and evaluate the use of relevant techniques in managing inventory, including the Economic Order Quantity model and Just-in-Time techniques.[2]
- Discuss, apply and evaluate the use of relevant techniques in managing accounts receivable, including:
 - assessing creditworthiness [1]
 - managing accounts receivable [1]
 - collecting amounts owing [1]
 - offering early settlement discounts [2]
 - using factoring and invoice discounting [2]
 - managing foreign accounts receivable.[2]
 - Discuss and apply the use of relevant techniques in managing accounts payable, including
 - using trade credit effectively [1]
 - evaluating the benefits of discounts for early settlement and bulk purchase [2]
 - managing foreign accounts payable.[1] f)
 - Explain the various reasons for holding cash, and discuss and apply

- the use of relevant techniques in managing cash, including:[2]
- preparing cash flow forecasts to determine future cash flows and cash balances
- assessing the benefits of centralised treasury management and cash control
- cash management models, such as the Baumol model and the Miller-Orr model
- investing short-term.

C.3 Determining working capital needs and funding strategies

- Calculate the level of working capital investment in current assets and discuss the key factors determining this level, including:[2]
 - the length of the working capital cycle and terms of trade
 - an organisation's policy on the level of investment in current assets
 - the industry in which the organisation operates.
- Describe and discuss the key factors in determining working capital funding strategies, including:[2]
 - the distinction between permanent and fluctuating current assets
 - the relative cost and risk of short-term and long-term finance
 - the matching principle
 - the relative costs and benefits of aggressive, conservative and matching funding policies
 - management attitudes to risk, previous funding decisions and organisation size.[1]

D Investment appraisal

D.1 Investment appraisal techniques

- Identify and calculate relevant cash flows for investment projects.[2]
- Calculate payback period and discuss the usefulness of payback as an investment appraisal method.[2]
- Calculate discounted payback and discuss its usefulness as an investment appraisal method.[2]
- Calculate return on capital employed (accounting rate of return) and discuss its usefulness as an investment appraisal method.[2]
- Calculate net present value and discuss its usefulness as an investment appraisal method Calculate internal rate of return and discuss its usefulness as an investment appraisal method.[2]
- Discuss the superiority of discounted cash flow (DCF) methods over non-DCF methods.[2]
- Discuss the relative merits of NPV and IRR.[2]

D.2 Allowing for inflation and taxation in investment appraisal

- Apply and discuss the real-terms and nominal-terms approaches to investment appraisal.[2]
- Calculate the taxation effects of relevant cash flows, including the tax benefits of tax-allowable depreciation and the tax liabilities of taxable profit.[2]
- Calculate and apply before- and after-tax discount rates.[2]

D.3 Adjusting for risk and uncertainty in investment appraisal

- Describe and discuss the difference between risk and uncertainty in relation to probabilities and increasing project life.[2]

- Apply sensitivity analysis to investment projects and discuss the usefulness of sensitivity analysis in assisting investment decisions.[2]
- Apply probability analysis to investment projects and discuss the usefulness of probability analysis in assisting investment decisions.[2]
- Apply and discuss other techniques of adjusting for risk and uncertainty in investment appraisal, including:
 - simulation [1]
 - adjusted payback [1]
 - risk-adjusted discount rates [2]

D.4 Specific investment decisions (lease or buy; asset replacement, capital rationing)

- Evaluate leasing and borrowing to buy using the before-and after-tax costs of debt.[2]
- Evaluate asset replacement decisions using equivalent annual cost and equivalent annual benefit.[2]
- Evaluate investment decisions under single-period capital rationing, including:[2]
 - the calculation of profitability indexes for divisible investment projects
 - the calculation of the NPV of combinations of non-divisible investment projects
 - a discussion of the reasons for capital rationing.

E Business finance

E.1 Sources of, and raising, business finance

- Identify and discuss the range of short-term sources of finance available to businesses, including:[2]
 - overdraft
 - short-term loan
 - trade credit

- lease finance.
- Identify and discuss the range of long-term sources of finance available to businesses, including:[2]
 - equity finance
 - debt finance
 - lease finance
 - venture capital
- Identify and discuss methods of raising equity finance, including:[2]
 - rights issue
 - placing
 - public offer
 - stock exchange listing.
- Identify and discuss methods of raising short and long term Islamic finance, including[1]
 - major difference between Islamic finance and the other forms of business finance.
 - The concept of riba (interest) and how returns are made by Islamic financial securities.
 - Islamic financial instruments available to businesses including:
 - murabaha (trade credit)
 - ijara (lease finance)
 - mudaraba equity finance)
 - sukuk (debt finance) v musharaka (venture capital). (note: calculations are
- Identify and discuss internal sources of finance, including:[2]
 - retained earnings
 - increasing working capital management efficiency
 - the relationship between dividend policy and the financing decision
 - the theoretical approaches to, and the practical influences on, the

dividend decision, including legal constraints, liquidity, shareholding expectations and alternatives to cash dividends.

E.2 Estimating the cost of capital

- Estimate the cost of equity including:[2]
 - application of the dividend growth model and discussion of its weaknesses.
 - explanation and discussion of systematic and unsystematic risk.
 - relationship between portfolio theory and the capital asset pricing model (CAPM)
 - application of the CAPM, its assumptions, advantages and disadvantages.
- Estimating the cost of debt:
 - irredeemable debt
 - redeemable debt
 - convertible debt
 - preference shares
 - bank debt.
- Estimating the overall cost of capital including:[2]
 - distinguishing between average and marginal cost of capital
 - calculating the weighted average cost of capital (WACC) using book value and market value weightings.

E.3 Sources of finance and their relative costs

- Describe the relative risk-return relationship and the relative costs of equity and debt.[2]
- Describe the creditor hierarchy and its connection with the relative costs of sources of finance.[2]
- Identify and discuss the problem of high levels of gearing.[2]

- Assess the impact of sources of finance on financial position, financial risk and shareholder wealth using appropriate measures, including:[2]
 - ratio analysis using statement of financial position gearing, operational and financial gearing, interest coverage ratio and other relevant ratios
 - cash flow forecasting
 - leasing or borrowing to buy.
- Impact of cost of capital on investments including:[2]
 - the relationship between company value and cost of capital.
 - the circumstances under which WACC can be used in investment appraisal
 - the advantages of the CAPM over WACC in determining a project-specific cost of capital.
 - the application of CAPM in calculating a project-specific discount rate.

E.4 Capital structure theories and practical considerations

- Describe the traditional view of capital structure and its assumptions.[2]
- Describe the views of Miller and Modigliani on capital structure, both without and with corporate taxation, and their assumptions.[2]
- Identify a range of capital market imperfections and describe their impact on the views of Miller and Modigliani on capital structure.[2]
- Explain the relevance of pecking order theory to the selection of sources of finance.[1]

E.5 Finance for small- and mediumsized entities

- Describe the financing needs of small businesses.[2]
- Describe the nature of the financing problem for small businesses in terms of the funding gap, the maturity gap and inadequate security.[2]
- Explain measures that may be taken to ease the financing problems of SMEs, including the responses of government departments and financial institutions.[1]
- Identify and evaluate the financial impact of sources of finance for SMEs, including sources already referred to in syllabus section E1 and also [2]
 - Business angel financing
 - Government assistance
 - Supply chain financing
 - Crowdfunding / peer-to-peer funding.

F Business valuations

F.1 Nature and purpose of the valuation of business and financial assets

- Identify and discuss reasons for valuing businesses and financial assets.[2]
- Identify information requirements for valuation and discuss the limitations of different types of information.[2]

F.2 Models for the valuation of shares

- **Discuss and apply asset-based valuation models, including:[2]**
 - net book value (statement of financial position) basis
 - net realisable value basis
 - net replacement cost basis.
- Discuss and apply income-based valuation models, including:[2]
 - price/earnings ratio method
 - earnings yield method.

- Discuss and apply cash flow-based valuation models, including:[2]
 - dividend valuation model and the dividend growth model
 - discounted cash flow basis.

F.3 The valuation of debt and other financial assets

- Discuss and apply appropriate valuation methods to:[2]
 - irredeemable debt
 - redeemable debt
 - convertible debt
 - preference shares

F.4 Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

- Distinguish between and discuss weak form efficiency, semi-strong form efficiency and strong form efficiency.[2]
- Discuss practical considerations in the valuation of shares and businesses, including:[2]
 - marketability and liquidity of shares
 - availability and sources of information
 - market imperfections and pricing anomalies
 - market capitalisation.
 - Describe the significance of investor speculation and the explanations of investor decisions offered by behavioural finance.[1]

G Risk management

G.1 The nature and types of risk and approaches to risk management

- Describe and discuss different types of foreign currency risk:[2]
 - translation risk
 - transaction risk
 - economic risk.

- Describe and discuss different types of interest rate risk:[1]
 - gap exposure
 - basis risk.

G.2 Causes of exchange rate differences and interest rate fluctuations

- Describe the causes of exchange rate fluctuations, including: i) balance of payments [1] ii) purchasing power parity theory [2] iii) interest rate parity theory [2] iv) four-way equivalence.[2]
- Forecast exchange rates using:[2] i) purchasing power parity ii) interest rate parity.
- Describe the causes of interest rate fluctuations, including: [2] i) structure of interest rates and yield curves ii) expectations theory iii) liquidity preference theory iv) market segmentation.

G.3 Hedging techniques for foreign currency risk

- Discuss and apply traditional and basic methods of foreign currency risk management, including: i) currency of invoice [1] ii) netting and matching [2] iii)

leading and lagging [2] iv) forward exchange contracts [2] v) money market hedging [2] vi) asset and liability management.[1]

- Compare and evaluate traditional methods of foreign currency risk management.[2]
- Identify the main types of foreign currency derivatives used to hedge foreign currency risk and explain how they are used in hedging.[1]
- (No numerical questions will be set on this topic)

G.4 Hedging techniques for interest rate risk

- Discuss and apply traditional and basic methods of interest rate risk management, including: i) matching and smoothing [1] ii) asset and liability management [1] iii) forward rate agreements.[2]
- Identify the main types of interest rate derivatives used to hedge interest rate risk and explain how they are used in hedging.[1]
- (No numerical questions will be set on this topic)