

## Financial management

Unit level 5

Unit code M/617/6877

GLH 60

Credit value 30

Unit grading structure

Pass-Merit-Distinction

### Unit aims

The unit aim is to develop the financial management skills for those who manage or seek to manage the performance, risk and financial decision-making needs of small and medium enterprises (SMEs), and small and medium practices (SMPs).

The unit will give an understanding, application and analysis of the funding and management of capital within an organisation. In particular it will focus on the management and evaluation of investment appraisal decisions. Organisational performance and recommendations for its improvement and growth will also be analysed.

Learners will be able to apply investment appraisal techniques to investment decisions and make recommendations.

They will also be able to use valuation models and cost of capital models to determine the value of an organisation and its capital structure cost and manage foreign exchange risk, credit and gearing.

They will be able to apply techniques to evaluate and make recommendations for the management of performance, resources, capital structure and risk.

Learning outcomes The learner will:	Assessment criteria The learner can:		
	Pass	Merit	Distinction
1. Be able to apply investment appraisal methods.	<ol style="list-style-type: none"> <li>1. Apply appropriate investment appraisal techniques.</li> <li>2. Evaluate and make justified recommendations on capital and investment strategy.</li> <li>3. Analyse critical success factors in relation to investments for an organisation.</li> <li>4. Apply the capital asset pricing model (CAPM) and know how to determine the weighted average cost of capital (WACC).</li> </ol>	<ol style="list-style-type: none"> <li>1. Discuss the benefits and limitations of different investment appraisal methods.</li> </ol>	<ol style="list-style-type: none"> <li>1. Evaluate business performance and make recommendations for improvement.</li> </ol>
2. Be able to advise on managing financial risks.	<ol style="list-style-type: none"> <li>1. Advise on the use of hedging instruments to manage currency exchange rate risks.</li> <li>2. Analyse factors affecting the granting of credit to organisations.</li> <li>3. Advise organisations on the management of gearing.</li> </ol>		
3. Understand the management of long-term finance.	<ol style="list-style-type: none"> <li>1. Make recommendations on the management of debt finance and equity.</li> <li>2. Use the dividend valuation model to determine share price and cost of capital.</li> </ol>	<ol style="list-style-type: none"> <li>1. Evaluate the usefulness of the capital asset pricing model (CAPM).</li> </ol>	

## Indicative content

### 1. Apply investment appraisal methods

#### Appraisal methods

- Capital budgeting
- The investment appraisal process
- Identification of relevant cash flows
- Methods of investment appraisal
- Accounting rate of return (ARR)
- Payback period
- Net present value
- Discounted payback period
- Internal rate of return (IRR)
- Advantages and disadvantages of investment appraisal methods.

#### Assessing performance

- Balanced scorecard
- Shareholder value
- Economic value added.

### 2. Be able to advise on managing financial risks

- Translation, transaction and economic risks
- Use of forward exchange contracts
- Use of debt financing
- Financial gearing and the impact of leverage.

### 3. Understand sources of long-term finance

- Dividend valuation model (DVM)
- Capital asset pricing model (CAPM) and weighted average cost of capital (WACC).

## Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.

The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.

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