

# ACCA



Examiner reviewed content

## PAPER F9

### 财务管理

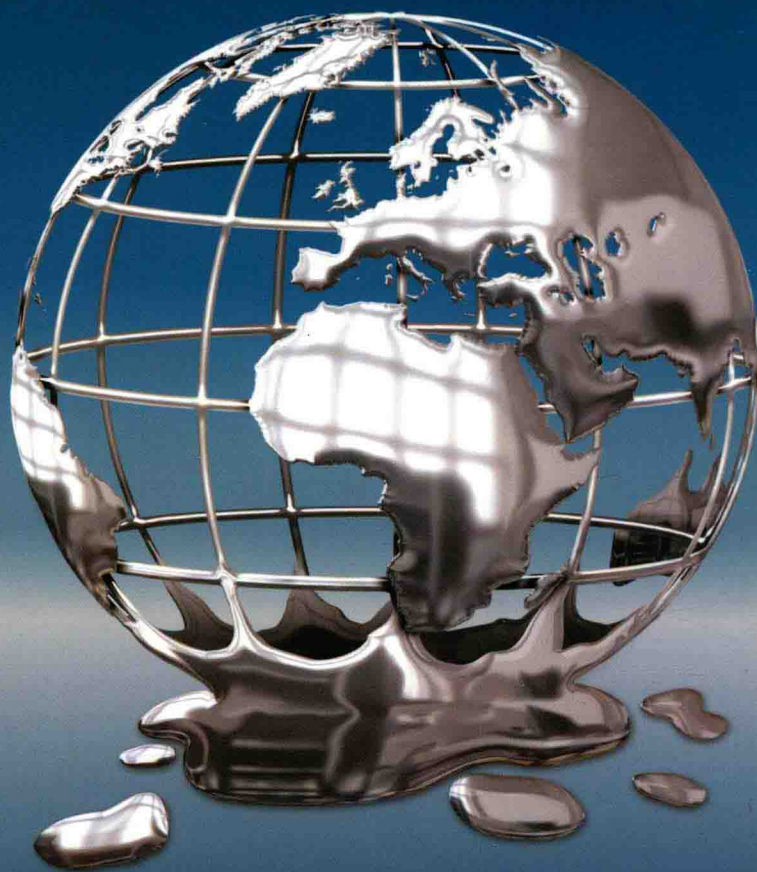
## FINANCIAL MANAGEMENT

BPP Learning Media 著

课 本

STUDY TEXT

FOR EXAMS IN 2012



华中科技大学出版社

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# ACCA

## PAPER F9

## F9 财务管理

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BPP Learning Media is the **sole ACCA Platinum Approved Learning Partner** – content for the ACCA qualification. In this, **the only Paper F9 study text to be reviewed by the examiner:**

- We discuss the **best strategies** for studying for ACCA exams
- We **highlight** the **most important elements** in the syllabus and the **key skills** you will need
- We **signpost** how each chapter links to the syllabus and the study guide
- We **provide** lots of **exam focus points** demonstrating what the examiner will want you to do
- We **emphasise key points** in regular **fast forward summaries**
- We **test your knowledge** of what you've studied in **quick quizzes**
- We **examine your understanding** in our **exam question bank**
- We **reference all the important topics** in our **full index**

BPP's **i-Pass** product also supports this paper.

**FOR EXAMS IN 2012**



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**F9 财务管理 课本**

**F9 Financial Management Studytext**

BPP Learning Media 著

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- 商业税收和税收管理
- 金融营销和市场调查
- 银行业 IT
- 金融英语

## F9（课本）简介

学习完本课本后，你将会了解作为一名财务经理应当具备的素质，包括影响投资和融资的各种问题。我们的课本设计专注大纲的最重要方面，包括：

- 财务管理职能
- 财务管理环境
- 运营资本管理
- 投资评估
- 企业融资
- 资本成本
- 企业估价
- 风险管理

课本经由考官审核，涵盖所有学员必需了解的 F9 课程相关知识，逐步指导学员掌握财务管理技巧，这其中包括技巧性较强的投资评估和企业股价。课本中明确列出了考试用的公式，并搭配大量的例题和习题作为公式的解释和必要的练习。同时还列出关键术语，帮助你理解新术语，诸如贝塔系数和风险资本。

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## 基础阶段课程

### Knowledge Module

#### 知识课程

FAB/F1 Accountant in Business

FAB/F1 会计师与企业

FMA/F2 Management Accounting

FMA/F2 管理会计

FFA/F3 Financial Accounting

FFA/F3 财务会计

### Skills Module

#### 技能课程

F4 Corporate and Business Law (ENG)

F4 公司法与商法 (英国版)

F4 Corporate and Business Law (CHN)

F4 公司法与商法 (中国版)

F5 Performance Management

F5 业绩管理

F6 Taxation (UK)

F6 税务 (英国版)

F6 Taxation (CHN)

F6 税务 (中国版)

F7 Financial Reporting (INT&UK)

F7 财务报告 (国际版和英国版)

F8 Audit and Assurance (INT)

F8 审计与认证业务 (国际版)

F9 Financial Management

F9 财务管理

## 专业阶段课程

### Essentials Module

#### 核心课程

P1 Governance, Risk and Ethics

P1 公司治理、风险管理及职业操守

P2 Corporate Reporting (INT&UK)

P2 公司报告 (国际版和英国版)

P3 Business Analysis

P3 商务分析

### Options Module

#### 选修课程

P4 Advanced Financial Management

P4 高级财务管理

P5 Advanced Performance Management

P5 高级业绩管理

P6 Advanced Taxation (UK)

P6 高级税务 (英国版)

P7 Advanced Audit and Assurance (INT)

P7 高级审计与认证业务 (国际版)

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# Helping you to pass – the **ONLY F9 Study Text** reviewed by the examiner!

## BPP Learning Media – the sole Platinum Approved Learning Partner - content

As ACCA's sole **Platinum Approved Learning Partner – content**, BPP Learning Media gives you the **unique opportunity** to use **examiner-reviewed** study materials for the 2012 exams. By incorporating the examiner's comments and suggestions regarding the depth and breadth of syllabus coverage, the BPP Learning Media Study Text provides excellent, **ACCA-approved** support for your studies.

## The PER alert

Before you can qualify as an ACCA member, you do not only have to pass all your exams but also fulfil a three year **practical experience requirement** (PER). To help you to recognise areas of the syllabus that you might be able to apply in the workplace to achieve different performance objectives, we have introduced the '**PER alert**' feature. You will find this feature throughout the Study Text to remind you that what you are **learning to pass** your ACCA exams is **equally useful to the fulfilment of the PER requirement**.

## Tackling studying

Studying can be a daunting prospect, particularly when you have lots of other commitments. The **different features** of the text, the **purposes** of which are explained fully on the **Chapter features** page, will help you whilst studying and improve your chances of **exam success**.

## Developing exam awareness

Our Texts are completely **focused** on helping you pass your exam.

Our advice on **Studying F9** outlines the **content** of the paper, the **necessary skills** the examiner expects you to demonstrate and any **brought forward knowledge** you are expected to have.

**Exam focus points** are included within the chapters to highlight when and how specific topics were examined, or how they might be examined in the future.

## Using the Syllabus and Study Guide

You can find the syllabus and Study Guide on page ix of this Study Text

## Testing what you can do

Testing yourself helps you develop the skills you need to pass the exam and also confirms that you can recall what you have learnt.

We include **Questions** – lots of them - both within chapters and in the **Exam Question Bank**, as well as **Quick Quizzes** at the end of each chapter to test your knowledge of the chapter content.

# Chapter features

Each chapter contains a number of helpful features to guide you through each topic.

## Topic list

Topic list	Syllabus reference

What you will be studying in this chapter and the relevant section numbers, together the ACCA syllabus references.

## Introduction

Puts the chapter content in the context of the syllabus as a whole.

## Study Guide

Links the chapter content with ACCA guidance.

## Exam Guide

Highlights how examinable the chapter content is likely to be and the ways in which it could be examined.

Knowledge brought forward from earlier studies

What you are assumed to know from previous studies/exams.

## FAST FORWARD

Summarises the content of main chapter headings, allowing you to preview and review each section easily.

## Examples

Demonstrate how to apply key knowledge and techniques.

## Key terms

Definitions of important concepts that can often earn you easy marks in exams.

## Exam focus points

When and how specific topics were examined, or how they may be examined in the future.

## Formula to learn

Formulae that are not given in the exam but which have to be learnt.



Gives you a useful indication of syllabus areas that closely relate to performance objectives in your Practical Experience Requirement (PER).



Question

Gives you essential practice of techniques covered in the chapter.



Case Study

Real world examples of theories and techniques.



## Chapter Roundup

A full list of the Fast Forwards included in the chapter, providing an easy source of review.

## Quick Quiz

A quick test of your knowledge of the main topics in the chapter.

## Exam Question Bank

Found at the back of the Study Text with more comprehensive chapter questions. Cross referenced for easy navigation.

## Studying F9

This paper examines a wide range of financial management topics, many of which will be completely new to you. You will need to be competent at a range of quite tricky calculations as well as able to explain and discuss financial management techniques and issues.

### The F9 examiner

The examiner is Tony Head who was the examiner for Paper 2.4 under the old syllabus. He expects you to be able to perform and comment on calculations, exercise critical abilities, clearly demonstrate understanding of the syllabus and use question information.

### Syllabus update

The F9 syllabus has been updated for the June 2012 sitting onwards. The only change is the clarification of an area that was implicitly included in the syllabus previously, namely discounted payback.

### Summary of changes to F9

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There are no changes to the syllabus. One area however has been clarified in the syllabus (it was implicitly included previously) and is shown in Table 1 below:1 What F9 is about

**Table 1 – Amendments to F9**

Section and subject area	Syllabus content
D3f) Discounted cash flow (DCF) techniques	Calculate discounted payback and discuss its usefulness as an investment appraisal method. <sup>[2]</sup>

# 1 What F9 is about

The aim of this syllabus is to develop the knowledge and skills expected of a finance manager, in relation to investment, financing and dividend policy decisions.

F9 is a middle level paper in the ACCA qualification structure. There are some links to material you have covered in F2, particularly short-term decision making techniques. The paper with a direct link following F9 is P4 which thinks strategically and considers wider environmental factors. F9 requires you to be able to apply techniques and think about their impact on the organisation.

## 2 What skills are required?

- You are expected to have a core of financial management knowledge
- You will be required to carry out calculations, with **clear workings** and a logical structure
- You will be required to **explain financial management techniques** and **discuss** whether they are appropriate for a particular organisation
- You must be able to **apply** your skills in a practical context

## 3 How to improve your chances of passing

- There is no choice in this paper, all questions have to be answered
- You must therefore study the **entire syllabus**, there are no short-cuts
- Practising questions under timed conditions is **essential**. **BPP's Practice and Revision Kit** contains 25 mark questions on all areas of the syllabus
- Questions will be based on simple scenarios and answers must be focused and specific to the organisation
- Answer **all parts** of the question. Even if you cannot do all of the calculation elements, you will still be able to gain marks in the discussion parts
- Make sure you write **full answers** to discussion sections, not one or two word lists, the examiner is looking for understanding to be demonstrated
- **Plan** your written answers and write legibly
- Include all your workings and **label them clearly**
- Read **Student Accountant** (the ACCA's student magazine) regularly – it often contains technical articles written either by or on the recommendation of the examiner which can be invaluable for future exams.

## 4 Brought forward knowledge

You will need to have a good working knowledge of certain management accounting techniques from F2. In particular, short-term decision making techniques such as cost-volume-profit analysis and the calculation of relevant costs. This Study Text revises these topics and brought forward knowledge is identified. If you struggle with the examples and questions used, you must go back and revisit your previous work. The examiner will assume you know this material and it may form part of an exam question.

## The exam paper

### Format of the paper

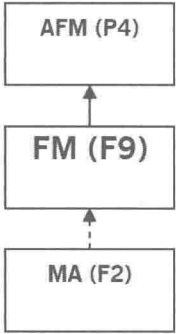
The exam consists of four compulsory 25 mark questions.

**Time allowed** is 3 hours with 15 minutes' reading time.

# Syllabus and Study Guide

The F9 syllabus and study guide can be found below.

## Syllabus



### AIM

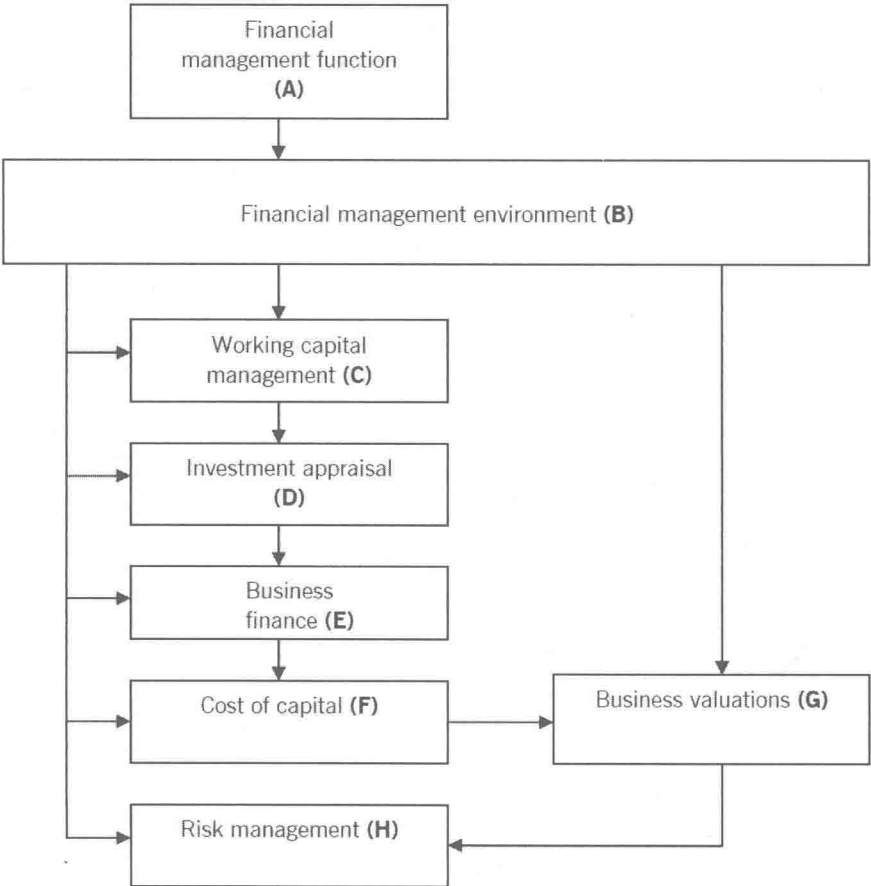
To develop the knowledge and skills expected of a finance manager, in relation to investment, financing, and dividend policy decisions.

### MAIN CAPABILITIES

On successful completion of this paper candidates should be able to:

- A** Discuss the role and purpose of the financial management function
- B** Assess and discuss the impact of the economic environment on financial management
- C** Discuss and apply working capital management techniques
- D** Carry out effective investment appraisal
- E** Identify and evaluate alternative sources of business finance
- F** Explain and calculate the cost of capital and the factors which affect it
- G** Discuss and apply principles of business and asset valuations
- H** Explain and apply risk management techniques in business.

### RELATIONAL DIAGRAM OF MAIN CAPABILITIES



## RATIONALE

The syllabus for Paper F9, *Financial Management*, is designed to equip candidates with the skills that would be expected from a finance manager responsible for the finance function of a business. The paper, therefore, starts by introducing the role and purpose of the financial management function within a business. Before looking at the three key financial management decisions of investing, financing, and dividend policy, the syllabus explores the economic environment in which such decisions are made.

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. Cost of capital and other factors that influence the choice of the type of capital a business will raise then follows. The principles underlying the valuation of business and financial assets, including the impact of cost of capital on the value of business, is covered next.

The syllabus finishes with an introduction to, and examination of, risk and the main techniques employed in the management of such risk.

## DETAILED SYLLABUS

### A Financial management function

1. The nature and purpose of financial management
2. Financial objectives and relationship with corporate strategy
3. Stakeholders and impact on corporate objectives
4. Financial and other objectives in not-for-profit organisations

### B Financial management environment

1. The economic environment for business

2. The nature and role of financial markets and institutions

### C Working capital management

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

### D Investment appraisal

1. The nature of investment decisions and the appraisal process
2. Non-discounted cash flow techniques
3. Discounted cash flow (DCF) techniques
4. Allowing for inflation and taxation in DCF
5. Adjusting for risk and uncertainty in investment appraisal
6. Specific investment decisions (lease or buy; asset replacement, capital rationing)

### E Business finance

1. Sources of, and raising short-term finance
2. Sources of, and raising long-term finance
3. Raising short and long term finance through Islamic financing
4. Internal sources of finance and dividend policy
5. Gearing and capital structure considerations
6. Finance for Small and Medium-size Entities (SMEs)

### F Cost of capital

1. Sources of finance and their relative costs
2. Estimating the cost of equity

3. Estimating the cost of debt and other capital instruments
4. Estimating the overall cost of capital
5. Capital structure theories and practical considerations
6. Impact of cost of capital on investments

#### **G Business valuations**

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

#### **H Risk management**

1. The nature and types of risk and approaches to risk management
2. Causes of exchange rate differences and interest rate fluctuations
3. Hedging techniques for foreign currency risk
4. Hedging techniques for interest rate risk

## **APPROACH TO EXAMINING THE SYLLABUS**

The syllabus for Paper F9 aims to develop the skills expected of a finance manager who is responsible for the finance function of a business.

The paper also prepares candidates for more advanced and specialist study in Paper P4, *Advanced Financial Management*.

The syllabus is assessed by a three-hour paper-based examination consisting of four compulsory 25-mark questions. All questions will have computational and discursive elements. The balance between computational and discursive content will continue in line with the pilot paper.

Candidates are provided with a formulae sheet and tables of discount and annuity factors.

# Study Guide

## A FINANCIAL MANAGEMENT FUNCTION

### 1. The nature and purpose of financial management

- a) Explain the nature and purpose of financial management.<sup>[1]</sup>
- b) Explain the relationship between financial management and financial and management accounting.<sup>[1]</sup>

### 2. Financial objectives and the relationship with corporate strategy

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

### 3. Stakeholders and impact on corporate objectives

- a) Identify the range of stakeholders and their objectives <sup>[2]</sup>
- b) Discuss the possible conflict between stakeholder objectives <sup>[2]</sup>
- c) Discuss the role of management in meeting stakeholder objectives, including the application of agency theory.<sup>[2]</sup>
- d) Describe and apply ways of measuring achievement of corporate objectives including: <sup>[2]</sup>
  - i) ratio analysis, using appropriate ratios such as return on capital employed, return on equity, earnings per share and dividend per share
  - ii) changes in dividends and share prices as part of total shareholder return
- e) Explain ways to encourage the achievement of stakeholder objectives, including: <sup>[2]</sup>

- i) managerial reward schemes such as share options and performance-related pay
- ii) regulatory requirements such as corporate governance codes of best practice and stock exchange listing regulations

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

- a) Discuss the impact of not-for-profit status on financial and other objectives.<sup>[2]</sup>
- b) Discuss the nature and importance of Value for Money as an objective in not-for-profit organisations.<sup>[2]</sup>
- c) Discuss ways of measuring the achievement of objectives in not-for-profit organisations.<sup>[2]</sup>

## B FINANCIAL MANAGEMENT ENVIRONMENT

### 1. The economic environment for business

- a) Identify and explain the main macroeconomic policy targets.<sup>[1]</sup>
- b) Define and discuss the role of fiscal, monetary, interest rate and exchange rate policies in achieving macroeconomic policy targets.<sup>[1]</sup>
- c) Explain how government economic policy interacts with planning and decision-making in business.<sup>[2]</sup>
- d) Explain the need for, and the interaction with, planning and decision-making in business of: <sup>[1]</sup>
  - i) competition policy
  - ii) government assistance for business
  - iii) green policies
  - iv) corporate governance regulation.<sup>[2]</sup>

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

- a) Identify the nature and role of money and capital markets, both nationally and internationally.<sup>[2]</sup>
- b) Explain the role of financial intermediaries.<sup>[1]</sup>
- c) Explain the functions of a stock market and a corporate bond market.<sup>[2]</sup>

- d) Explain the nature and features of different securities in relation to the risk/return trade-off.<sup>[2]</sup>

## C WORKING CAPITAL MANAGEMENT

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

- a) Describe the nature of working capital and identify its elements.<sup>[1]</sup>
- b) Identify the objectives of working capital management in terms of liquidity and profitability, and discuss the conflict between them.<sup>[2]</sup>

- c) Discuss the central role of working capital management in financial management.<sup>[2]</sup>

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

- a) Explain the cash operating cycle and the role of accounts payable and accounts receivable.<sup>[2]</sup>
- b) Explain and apply relevant accounting ratios, including:<sup>[2]</sup>
  - i) current ratio and quick ratio
  - ii) inventory turnover ratio, average collection period and average payable period
  - iii) sales revenue/net working capital ratio
- c) Discuss, apply and evaluate the use of relevant techniques in managing inventory, including the Economic Order Quantity model and Just-in-Time techniques.<sup>[2]</sup>
- d) Discuss, apply and evaluate the use of relevant techniques in managing accounts receivable, including:
  - i) assessing creditworthiness<sup>[1]</sup>
  - ii) managing accounts receivable<sup>[1]</sup>
  - iii) collecting amounts owing<sup>[1]</sup>
  - iv) offering early settlement discounts<sup>[2]</sup>
  - v) using factoring and invoice discounting<sup>[2]</sup>
  - vi) managing foreign accounts receivable<sup>[2]</sup>
- e) Discuss and apply the use of relevant techniques in managing accounts payable, including:
  - i) using trade credit effectively<sup>[1]</sup>

- ii) evaluating the benefits of discounts for early settlement and bulk purchase<sup>[2]</sup>
- iii) managing foreign accounts payable<sup>[1]</sup>

- f) Explain the various reasons for holding cash, and discuss and apply the use of relevant techniques in managing cash, including:<sup>[2]</sup>
  - i) preparing cash flow forecasts to determine future cash flows and cash balances
  - ii) assessing the benefits of centralised treasury management and cash control
  - iii) cash management models, such as the Baumol model and the Miller-Orr model
  - iv) investing short-term

### 3. Determining working capital needs and funding strategies

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

## D INVESTMENT APPRAISAL

### 1. The nature of investment decisions and the appraisal process

- a) Distinguish between capital and revenue expenditure, and between non-current assets and working capital investment.<sup>[2]</sup>
- b) Explain the role of investment appraisal in the capital budgeting process.<sup>[2]</sup>



- c) Discuss the stages of the capital budgeting process in relation to corporate strategy.<sup>[2]</sup>

## 2. Non-discounted cash flow techniques

- a) Identify and calculate relevant cash flows for investment projects.<sup>[2]</sup>
- b) Calculate payback period and discuss the usefulness of payback as an investment appraisal method.<sup>[2]</sup>
- c) Calculate return on capital employed (accounting rate of return) and discuss its usefulness as an investment appraisal method.<sup>[2]</sup>

## 3. Discounted cash flow (DCF) techniques

- a) Explain and apply concepts relating to interest and discounting, including:<sup>[2]</sup>
  - i) the relationship between interest rates and inflation, and between real and nominal interest rates
  - ii) the calculation of future values and the application of the annuity formula
  - iii) the calculation of present values, including the present value of an annuity and perpetuity, and the use of discount and annuity tables
  - iv) the time value of money and the role of cost of capital in appraising investments
- b) Calculate net present value and discuss its usefulness as an investment appraisal method.<sup>[2]</sup>
- c) Calculate internal rate of return and discuss its usefulness as an investment appraisal method.<sup>[2]</sup>
- d) Discuss the superiority of DCF methods over non-DCF methods.<sup>[2]</sup>
- e) Discuss the relative merits of NPV and IRR.<sup>[2]</sup>
- f) Calculate discounted payback and discuss its usefulness as an investment appraisal method.<sup>[2]</sup>

## 4. Allowing for inflation and taxation in DCF

- a) Apply and discuss the real-terms and nominal-terms approaches to investment appraisal.<sup>[2]</sup>
- b) Calculate the taxation effects of relevant cash flows, including the tax benefits of capital allowances and the tax liabilities of taxable profit.<sup>[2]</sup>
- c) Calculate and apply before- and after-tax discount rates.<sup>[2]</sup>

## 5. Adjusting for risk and uncertainty in investment appraisal

- a) Describe and discuss the difference between risk and uncertainty in relation to probabilities and increasing project life.<sup>[2]</sup>
- b) Apply sensitivity analysis to investment projects and discuss the usefulness of sensitivity analysis in assisting investment decisions.<sup>[2]</sup>
- c) Apply probability analysis to investment projects and discuss the usefulness of probability analysis in assisting investment decisions.<sup>[2]</sup>
- d) Apply and discuss other techniques of adjusting for risk and uncertainty in investment appraisal, including:
  - i) simulation<sup>[1]</sup>
  - ii) adjusted payback<sup>[1]</sup>
  - iii) risk-adjusted discount rates<sup>[2]</sup>

## 6. Specific investment decisions (Lease or buy; asset replacement; capital rationing)

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

## **E BUSINESS FINANCE**

### **1. Sources of and raising short-term finance**

- a) Identify and discuss the range of short-term sources of finance available to businesses, including: <sup>[2]</sup>
- i) overdraft
  - ii) short-term loan
  - iii) trade credit
  - iv) lease finance

### **2. Sources of and raising, long-term finance**

- a) Identify and discuss the range of long-term sources of finance available to businesses, including: <sup>[2]</sup>
- i) equity finance
  - ii) debt finance
  - iii) lease finance
  - iv) venture capital
- b) Identify and discuss methods of raising equity finance, including: <sup>[2]</sup>
- i) rights issue
  - ii) placing
  - iii) public offer
  - iv) stock exchange listing

### **3. Raising short and long term finance through Islamic financing**

- a) Explain the major difference between Islamic finance and the other forms of business finance. <sup>[1]</sup>
- b) Explain the concept of interest (riba) and how returns are made by Islamic financial securities. <sup>[1]</sup> (calculations are not required)
- c) Identify and briefly discuss a range of short and long term Islamic financial instruments available to businesses including <sup>[1]</sup>
- i) trade credit (murabaha)
  - ii) lease finance (ijara)
  - iii) equity finance (mudaraba)
  - iv) debt finance (sukuk)
  - v) venture capital (musharaka)

### **4. Internal sources of finance and dividend policy**

- a) Identify and discuss internal sources of finance, including: <sup>[2]</sup>
- i) retained earnings
  - ii) increasing working capital management efficiency
- b) Explain the relationship between dividend policy and the financing decision <sup>[2]</sup>
- c) Discuss the theoretical approaches to, and the practical influences on, the dividend decision, including: <sup>[2]</sup>
- i) legal constraints
  - ii) liquidity
  - iii) shareholder expectations
  - iv) alternatives to cash dividends

### **5. Gearing and capital structure considerations**

- a) Identify and discuss the problem of high levels of gearing <sup>[2]</sup>
- b) Assess the impact of sources of finance on financial position and financial risk using appropriate measures, including:
- i) ratio analysis using statement of financial position gearing, operational and financial gearing, interest coverage ratio and other relevant ratios <sup>[2]</sup>
  - ii) cash flow forecasting <sup>[2]</sup>
  - iii) effect on shareholder wealth <sup>[2]</sup>

### **6. Finance for small and medium sized entities (SMEs)**

- a) Describe the financing needs of small businesses. <sup>[2]</sup>
- b) Describe the nature of the financing problem for small businesses in terms of the funding gap, the maturity gap and inadequate security. <sup>[2]</sup>
- c) Explain measures that may be taken to ease the financing problems of SMEs, including the responses of government departments and financial institutions. <sup>[1]</sup>