

Professional II



Paper 4 -Financial Management

Duration of Examination: 3 hours

OBJECTIVE: The objective of this paper is to provide an understanding and practical application of financial management in relation to the enterprise as a whole and all its activities. To study the profitable use of financial resources with particular reference to corporate growth and development.

SYLLABUS	Knowledge Requirements
1. Introduction:	
1. <i>Forms</i> of business organization	B
2. Objectives of the business and shareholders	B
3. Objectives of Institution, e.g. I.D.A., Banks	B
4. Objectives of Management and of Financial Management	B
2. Capital Structures and Capital Gearing:	
1. Equity capital, by way of public issues through the Stock Exchange from financial institutions and private individuals.	A
2. Government grants and EEC funds	A
3. Medium and long <i>term</i> funds	A
4. Bank overdrafts and other sources of short <i>term</i> credit (Export Credit Schemes)	A
5. Capital gearing	A
6. Appropriateness of different levels of gearing <i>for</i> different types of industry.	A
3. MANAGEMENT OF WORKING CAPITAL	
1. Methods of financing <i>current</i> assets. The management of cash; cash <i>forecasting</i> and budgeting. Credit and collection policies and the management of debt, control of inventory investment; factors influencing investment in inventory.	A
2. Conceptual models <i>for</i> cash management.	C
4. THE STOCK EXCHANGE	B
Characteristics and structure of the stock market. General factors influencing the market. Distinction between various types of investment and the merits and drawbacks of each to different classes of investor. Investment criteria. The concept of yield; calculation of yield; dividend yield; dividend cover earnings yield. P/E ratio. Examination of sources of Venture Capital and secondary market <i>for</i> Unlisted Securities.	
5. INVESTMENT ANALYSIS	
Discount cash flow, discounting, taxation, expenditure, methods of appraisal.	A
6. Share Valuation' goodwill, intangibles, market and book values, circumstances affecting values and different interests. Valuations, based on assets, profits and earnings, mergers and issues.	A
7. IMPORT/EXPORT FINANCING AND EXCHANGE REGULATIONS	C
8. Issues affecting the environment in which the Financial Manager operates: <i>Effect</i> of inflation on financial Management. <i>Effect</i> of government economic and monetary policy.	B
9. Capital reconstruction schemes.	B
10. Management of meetings, agendas, report writing.	A