

Global Learning Semesters

Course Syllabus

Course: ACER-221 Managerial Finance

Department: Accounting and Banking

Host Institution: Intercollege, Nicosia, Cyprus



Course Summary		
Course Code	Course Title	Recommended Credit Hours
ACER-221	Managerial Finance	6
Semester Offered	Contact Hours	Prerequisites
Please contact us	42-45	ACER-121, ACER-122
Department	Level of Course	Language of Instruction
Accounting and Banking	Lower Division	English

Course Description

To facilitate decision-making developing the management accounting techniques for planning and control and introducing the financial management methods used for analysing the benefits of various sources of finance and capital investment opportunities.

Prerequisites

ACER-121, ACER-122

Topic Areas

1. Cost and management accounting methods
 - a. Determining and allocating/apportioning costs of activities and outputs through the use of appropriate concepts, methods and techniques: (i) absorption, marginal and opportunity cost approaches to the accumulation of costs for specific orders (job, batch, and contract) or operations (process, service) (ii) activity based costing: use of cost drivers and activities.
 - b. Consideration and application of information required in relation to: (i) costing of products and services (ii) preparing plans (iii) monitoring/controlling performance (v) decision-making.
2. Information for planning and control
 - a. Budgeting and budgetary control: (i) identify objectives of budgetary planning and control systems (including an introduction to behavioral influences) (ii) identify/evaluate budgetary systems such as fixed and flexible, zero based and incremental, periodic and continuous (iii) developing/implementing budgeting systems: functional/subsidiary and master budgets (including cash budgeting) (iv) monitoring and controlling performance; calculation of variances; determination of cause of variances (v) quantitative aids in budgeting: least squares regression; scatter diagram with correlation; forecasting with regression; introduction to time series and seasonality to analyse time-related data.
 - b. Standard costing: (i) uses and limitations of standard costing (ii) determination of standards (iii) identification and calculation of variances: sales variances (including quantity and mix), cost variances (including mix and yield); absorption and marginal approaches (iv) identify significance and interrelationship of variances (v) relevance to business performance measurement and control.

- c. Cost allocation/apportionment/absorption: (i) absorption and marginal costing: impact on profit reporting; relevance in planning and control (ii) activity based costing; use in costing of products and services; use as a planning and control device.

3. The costing/pricing of products and services

Consideration and application of information requirements in relation to: (i) job costs (ii) process costs (iii) service industries (iv) internal services.

4. Management of working capital

- a. The nature and scope of working capital management.
- b. The importance of effective working capital management to corporate survival.
- c. The management of debtors (including those overseas) involving credit evaluation, terms of credit, cash discounts, debt collection techniques, credit management monitoring and evaluation, factoring and invoice discounting.
- d. Creditors: advantages and disadvantages of alternative methods of paying suppliers (including those overseas) the dangers of trading on credit.
- e. Stock: alternative stock management systems and models including Total Quality Management (TQM), Just in Time (JIT), Economic Order Quantity (EOQ), etc.

5. Financial objectives

- a. The nature, purpose and scope of financial management.
- b. The relationship between financial management, management accounting and financial accounting.
- c. The relationship of financial objectives to organisational strategy and ethos and to other organisational objectives. The constraints/conflicts which different objectives may put upon each other.
- d. The nature, scope and form (long-term and short-term) of financial objectives of different types of organisation, including not-for-profit organisations.
- e. The roles, responsibilities and relationships of key personnel involved in and with organisations (shareholders, lenders, managers, employees, customers, suppliers, government).

6. Financial management framework

- a. The commercial and financial environment in which organisations operate (the nature and function of the money and capital markets including banks and other financial intermediaries, the Stock Exchange, the Unlisted Securities Market and Over the Counter markets).
- b. The economic environment in which organisations operate:
 - application of macro-economic theory as a basis for understanding the key economic variables affecting the business environment
 - fiscal policy, its nature, effectiveness of fiscal policy, the supply and demand for money
 - monetary policy, attitudes to monetary policy, problems of monetary policy
 - supply-side policies, supply-side problems, policies to improve supply-side
 - policies towards monopolies and oligopolies, privatisation and deregulation
 - green policies; implications for management of the economy and the firm
 - the significance of corporate securities (share capital, debt and preference shares) to commercial organisations and the markets in which they operate, and the influence of markets on organisations
 - the Efficient Markets Hypothesis and its relevance to decision-making and to financial management practice.

7. Sources of finance

- a. Sources and relative costs (including issue costs but not calculations of the cost of capital) various types of finance and their suitability to different circumstances and organisations (both large and small companies, listed and unlisted) including:

- the nature and importance of internally generated funds
 - capital markets (types of share capital, new issues, rights issues, loan capital, convertibles, warrants)
 - the effect of dividend policy on financing needs
 - bank finance (the various forms of short, medium and long-term finance that are available, including leasing)
 - trade credit
 - government sources: grants, regional and national aid schemes, tax incentives etc.
 - venture capital and financial sources particularly suited to the small company
 - international money and capital markets, including an introduction to international banking, and the finance of foreign trade
- a. Determining requirements for finance (how much, for how long, for what purpose) in relation to a client's operational and strategic objectives. The importance of the choice of capital structure to an organisation.
 - b. Calculating financial gearing and other key financial ratios and analysing their significance to the organisation.
 - c. Determining appropriate sources of finance by identifying and evaluating appropriate sources, taking into account such factors as: (i) cost of finance, including its servicing (ii) timing of cash payments (iii) effect on gearing and other ratios (iv) effect on the company's existing investors.
8. Capital expenditure and investment
- a. Identifying potential investment opportunities.
 - b. Appraising capital investments (domestic) for commercial and non-commercial organisations through the use of appropriate methods and techniques:
 - return on capital employed and payback
 - discounting based methods, including the importance of the cost of capital to investment appraisal (but not the calculation of most capital)
 - internal rate of return
 - net present value
 - capital rationing (single and multi-period)
 - lease or buy decisions

including the effects of taxation and inflation on investment decisions, the handling of risk and uncertainty, e.g. through the use of probabilities, sensitivity analysis and simulations.

Readings and Resources

Required Textbooks

Management Accounting

- C. Dury Management and Cost Accounting Chapman and Hall
- C.T. Horngren Introduction to Management Accounting Prentice Hall
- T. Lucey Management Accounting DP Publications

Financial Management

- R.H. Pike, C.W. Neale Corporate Finance and Investment Prentice Hall
- J.M. Samuels, F.M. Wilkes, R.E. Brayshaw Management of Company Finance Chapman and Hall
- J.F. Weston, T.E. Copeland Managerial Finance Cassell

AT - ACCA Textbook Managerial Finance