

FINANCIAL MANAGEMENT

UNIT CODE: BUS/CU/AC/CR/04/6

Relationship to Occupational Standards

This unit addresses the Unit of Competency: apply principles of finance

Duration of Unit: 120 hours

Unit Description

This unit specifies the competencies required to apply principles of financial management. It involves; identifying financial sources, evaluating financial markets and systems, determining time value of money, analysing risk and return, determining cost of capital, managing working capital, evaluating capital budgeting decisions, formulating dividend decisions and applying Islamic finance.

Summary of Learning Outcomes

1. Identify financial sources
2. Evaluate financial markets and systems
3. Determine time value of money
4. Analyse risk and return
5. Determine cost of capital
6. Manage working capital
7. Evaluate Capital Budgeting decisions
8. Formulate dividend decisions
9. Apply Islamic finance

Learning Outcomes, Content and Suggested Assessment Methods

Learning Outcome	Content	Suggested Assessment Methods
1. Identify financial sources	<ul style="list-style-type: none">• Nature and purpose of finance<ul style="list-style-type: none">○ Scope of finance○ Relationship between financial management and other management disciplines○ Finance and non-finance functions○ Roles of a finance manager○ Goals of a firm	<ul style="list-style-type: none">• Written tests• Observation• Oral questions• Third party report• Interviewing• Project and report writing

	<ul style="list-style-type: none"> ○ Agency theory :conflicts and resolutions ● Sources of finance <ul style="list-style-type: none"> ○ Short term sources ○ Long term sources ○ Internal sources ○ External sources ○ Factors to consider when choosing the source of finance 	
<p>2. Evaluate financial markets and systems</p>	<ul style="list-style-type: none"> ● Roles of financial systems ● Markets participants and financial innovation ● Types of financial markets ● Characteristics of a good market ● Functions of financial markets ● The flow of funds and the financial system ● Organisation and structure of securities markets ● Automation of securities exchanges; automated trading system (ATS), Central depository system(CDS) ● Role of government in the financial system; capital markets authority, central bank, central depository and settlement company 	<ul style="list-style-type: none"> ● Written tests ● Observation ● Oral questions ● Third party report ● Interviewing ● Project and report writing

<p>3. Determine time value of money</p>	<ul style="list-style-type: none"> • Time value versus time preference for money • Relevance of time value of money • Discounting techniques • Compounding techniques • Preparation of loan amortisation schedule 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and
<p>4. Analyse risk and return</p>	<ul style="list-style-type: none"> • Meaning of terms • Components of risks and returns • Sources of risk • Measures of risk and return for a single asset • Distinction between risk- free and risky assets-CAPM & APT • Relationship between risk and return on investments 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and report writing
<p>5. Determine cost of capital</p>	<ul style="list-style-type: none"> • Significance of cost of capital to firms • Factors influencing a firms cost of capital • Components costs of capital • Weighted average cost of capital • Marginal cost of capital 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and report writing
<p>6. Manage working capital</p>	<ul style="list-style-type: none"> • Nature and importance of working capital • Determinants of working capital • Working capital operating cycle • Dangers of excessive / inadequate working capital 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and report writing

	<ul style="list-style-type: none"> • Working capital management policies • Cash management • Accounts receivable management • Accounts payable management • Inventory management 	
7. Evaluate Capital Budgeting decisions	<ul style="list-style-type: none"> • Importance, characteristics and types of capital investment decisions • Difficulties of capital budgeting • Investment appraisal techniques; <ul style="list-style-type: none"> ○ Accounting Rate of Return (ARR) ○ Payback period ○ Net Present Value ○ Profitability index ○ Internal Rate of Return 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and report writing
8. Formulate dividend decisions	<ul style="list-style-type: none"> • Meaning of terms • Forms of dividends payments • Factors influencing dividend decisions of a firm • Dividend policies; <ul style="list-style-type: none"> ○ Pay-out ratio policy ○ Residual policy ○ Stable predictable policy ○ Low regular plus extra policy • Dividend theories <ul style="list-style-type: none"> ○ Dividend relevance theories 	<ul style="list-style-type: none"> • Written tests • Observation • Oral questions • Third party report • Interviewing • Project and report writing

	○ Dividend irrelevance theories	
9. Apply Islamic finance	<ul style="list-style-type: none"> ● Meaning of terms ● Principles and trends in Islamic banking ● Differences between Islamic and conventional banking ● The concept of interest (riba) and how returns are made by Islamic financial securities ● Sources of finance in Islamic financing: muhabaha, sukuk ● Emerging issues 	<ul style="list-style-type: none"> ● Written tests ● Observation ● Oral questions ● Third party report ● Interviewing ● Project and report writing

Suggested Methods of Instruction

- Project
- Demonstration by trainer
- Practice by the trainee
- Discussions
- Direct instruction
- Case study
- Audio –visual aids

Recommended Resources

- Printers,
- Computer,
- Calculator,
- Computer software's,
- Internet connectivity,
- Paper shredders,
- Photocopiers,
- Printers, scanners,
- Stationery