

APPLY PRINCIPLES OF FINANCIAL MANAGEMENT

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

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, analyzing risk and return, determining cost of capital, managing working capital, evaluating capital budgeting decisions, formulating dividend decisions and applying Islamic finance.

ELEMENTS AND PERFORMANCE CRITERIA

ELEMENT These describe the key outcomes which make up workplace function .	PERFORMANCE CRITERIA These are assessable statements which specify the required level of performance for each of the elements. <i>Bold and italicized terms are elaborated in the range.</i>
1. Identify financial sources	1.1 Sources of finance are identified as per the SOPs 1.2 Finance sources are classified as per the SOPs. 1.3 Evaluation criteria are determined as per the SOPs. 1.4 Finance sources are evaluated as per the organizational objectives.
2. Evaluate financial markets and systems	2.1 <i>Financial institutions</i> are identified as per the SOPs. 2.2 Financial institutions roles are determined as per the SOPs. 2.3 Financial institutions are analyzed based on financial performance. 2.4 Financial institution is selected as per the organization objectives.
3. Determine time value of money	3.1 Discounting factor is determined as per the SOPs. 3.2 Future time value of money is computed based on discounting factor. 3.3 Present time values of money are computed based on discounting factor. 3.4 Annuities and perpetuities are determined as per the discounting factor. 3.5 Loan amortization schedule is prepared.
4. Analyze risk and return	4.1 Risk and return are identified as per the SOPs. 4.2 Risk and return components are determined as per the SOPs. 4.3 Risks are classified as per the standard operating

	<p>procedures</p> <p>4.4 Risk and return for a single asset is determined.</p> <p>4.5 Investment decisions are determined as per the organizational requirement.</p>
5. Determine cost of capital	<p>5.1 Capital structure is determined as per financial statements.</p> <p>5.2 Component costs of capital are identified as per financial statements.</p> <p>5.3 Component costs of capital are computed as per financial statements.</p> <p>5.4 Component costs of capital weights are calculated</p> <p>5.5 Weighted average cost of capital is determined.</p> <p>5.6 Marginal cost of capital is determined.</p> <p>5.7 Optimal capital structure decision is determined.</p>
6. Manage working capital	<p>6.1 Components of working capital are identified as per the SOPs.</p> <p>6.2 Working capital sources are selected as per the SOPs.</p> <p>6.3 Operating cash cycle is determined as per the SOPs.</p> <p>6.4 Working capital polices are formulated as per the SOPs.</p> <p>6.5 Cash and inventory optimal levels are determined as per the SOPs.</p> <p>6.6 Account payables period is determined as per the SOPs.</p> <p>6.7 Account receivables collection period is determined</p>
7. Evaluate Capital Budgeting decisions	<p>7.1. Investment projects are classified.</p> <p>7.2. Investment criterion is identified.</p> <p>7.3. Investment techniques are selected as per the organizational requirements.</p> <p>7.4. Investment projects are appraised based on the techniques.</p> <p>7.5. Investment project is selected based on the criterion.</p>
8. Formulate dividend decisions	<p>8.1. Dividend policies are formulated</p> <p>8.2. Forms of dividend payments are identified</p> <p>8.3. Dividend Payment schedules is prepared as per the organizational policy.</p>
9. Apply Islamic finance	<p>9.4 Islamic finance principles and trends are determined.</p>

	<p>9.5 Islamic finance sources are selected as per the sharia law.</p> <p>9.6 Islamic finance interest (RIBA) is determined.</p> <p>9.7 Islamic finance returns are analyzed as per the work place objectives.</p> <p>9.8 Islamic finance securities are evaluated.</p>
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RANGE

This section provides work environments and conditions to which the performance criteria apply. It allows for different work environment and situations that will affect performance.

Variable	Range
<ul style="list-style-type: none"> Financial institutions includes but not limited: 	<ul style="list-style-type: none"> Commercial banks Merchant banks Central bank Sacco's Pension funds Mutual funds Insurance Micro-finance
<ul style="list-style-type: none"> Forms of dividend payments includes but not limited: 	<ul style="list-style-type: none"> Cash Script/stock Bonus Rights

REQUIRED KNOWLEDGE AND UNDERSTANDING

The individual needs to demonstrate knowledge of:

- Mathematics
- Economics
- Financial accounting
- Law
- Statistics

SKILLS

The individual needs to demonstrate the following skills:

- Critical thinking
- Communication

- Analytical.
- Report writing.
- Problem solving
- Innovative
- Creativity

EVIDENCE GUIDE

This provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge and range.

1. Critical Aspects of Competency	Assessment requires evidence that the candidate: <ul style="list-style-type: none"> 1.1 Identified financial sources 1.2 Evaluated financial markets and systems 1.3 Determined time value of money 1.4 Analyzed risk and return 1.5 Determined cost of capital 1.6 Managed working capital 1.7 Evaluated Capital Budgeting decisions 1.8 Formulated dividend decisions 1.9 Demonstrated the ability to apply Islamic finance
2. Resource Implications	The following resources must be provided: <ul style="list-style-type: none"> 2.1 Financial tables
3. Methods of Assessment	Competency may be accessed through: <ul style="list-style-type: none"> 3.1 Written tests 3.2 Oral questioning 3.3 Third party reports 3.4 Observation
4. Context of Assessment	Competency may be assessed: <ul style="list-style-type: none"> 4.1 On the job 4.2 Off the job 4.3 In work placement (attachment) Off the job assessment must be undertaken in a closely simulated workplace environment
5. Guidance information for assessment	Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended.