# Module 11

## 6.11.1. Finance I

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| **Module title** | Finance I |
| **Module NFQ level (only if an NFQ level can be demonstrated)** | 7 |
| **Module number/reference** | AT11 |
| **Parent programme(s)** | Bachelor of Arts (Honours) in Accounting and Finance |
| **Stage of parent programme** | Stage 2 |
| **Semester (semester1/semester2 if applicable)** | Semester 2 |
| **Module credit units** | ECTS |
| **Module credit number of units** | 10 |
| **Duration of the module** | One Academic Semester, 12 Weeks Teaching. |
| **Average (over the duration of the module) of the contact hours per week** | 6 |

**Analysis of required learning effort**

| **Effort while in contact with staff** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Classroom and demon-strations** | | **Mentoring and small-group tutoring** | | **Other (specify)** | | **Directed e-learning (hours)** | **Independent learning (hours)** | **Other hours (specify)** | **Work-based learning hours of learning effort** | **Total effort (hours)** |
| **Hours** | **Minimum ratio teacher/learner** | **Hours** | **Minimum ratio teacher/learner** | **Hours** | **Minimum ratio teacher/learner** | | | | | |
| 48 | 1:40 | 24 | 1:20 | | | | 178 | | | 250 |

**Allocation of marks (within the module)**

| | **Continuous assessment** | **Supervised project** | **Proctored practical examination** | **Proctored written examination** | **Total** |
|---|---|---|---|---|---|
| **Percentage contribution** | 30% | | | 70% | **100%** |

## Minimum intended module learning outcomes

On the successful completion of this module, students should be able to:

**MIMLO 11.1** Describe the role and purpose of financial management and the use of financial data to facilitate decision making in corporate and investment environments.

**MIMLO 11.2** Demonstrate conversance with the technical language and practices of financial management and discuss the appropriateness of specific financial management techniques in a range of business contexts.

**MIMLO 11.3** Enumerate key sources of financial management information and interpret financial statements to appraise the financial performance and position of representative companies.

**MIMLO 11.4** Critically appraise capital investment through the use of appropriate methods and explain the role of effective working capital management in ensuring organisational survival.

## Module content, organisation and structure

**Indicative Syllabus:**

Financial management

- Explain the nature, purpose and scope of financial management, and its relationship to management accounting and financial accounting.
- Discuss the relationship between corporate strategy, financial strategy and financial objectives and clarify the overall financial
- Identify and explain key financial objectives of: shareholder wealth maximisation, earnings per share (EPS), dividend per share (DPS) and profit growth.
- Describe and calculate progress towards achieving financial objectives (shareholder wealth, EPS, DPS and profit growth)
- Identify the variety of stakeholders in a business and the range of apparently conflicting objectives
- Understand and discuss the role of directors as agents of shareholders in seeking to balance the conflicting objectives of various stakeholder groups understanding the corporate governance context
- Explain and discuss approaches to align directors/managers goals with those of shareholders by implementation of performance related pay schemes such as employee share options and profit-sharing schemes.
- Identify and discuss the financial and non-financial objectives of not-for-profit organisations

- Explain and apply the use of the value for money (VFM) approach in assessing performance of NFPOs in the achievement of financial and non-financial objectives

Impact of the economic environment on financial management

- Identify and explain a government's main macroeconomic policies and the role of monetary, fiscal, interest rate and foreign exchange rate policies in achievement of macroeconomic policy
- Explain and discuss the impact of government fiscal and monetary policy on financial management and the pursuit of financial objectives
- Explain the importance of government policy in areas such as: physical environmental policy, government assistance (capital, employment and research grant assistance and tax incentives), competition policy and corporate governance regulations
- Explain the function of a stock exchange and its role in creating a more efficient capital market
- Explain the role of the corporate bond market (domestically and internationally) and the role of financial intermediaries in the operation of an efficient market.

Investment appraisal:

- Explain the capital investment appraisal process and its importance in the capital budgeting process, distinguishing between revenue and capital expenditure
- Distinguish between cash-based investment and profit-based investment appraisal approaches
- Explain and calculate profit-based investment appraisal approaches such as return on capital employed (ROCE), identifying its benefits and limitations
- Explain and calculate the relevant costing concepts and time value of money concepts underpinning the cash-based investment appraisal methodologies
- Explain, discuss and calculate the non-discounted cash flow investment appraisal approach of payback identifying its benefits and limitations
- Explain the relationship between interest rates and inflation in the context of real and nominal interest rates.
- Explain, discuss and calculate net present value (NPV) incorporating the impact inflation and taxation (including capital allowances) as an investment appraisal technique, identifying its benefits and limitations
- Explain, discuss and calculate internal rate of return (IRR), identifying its benefits and limitations and compare/contrast NPV and IRR as investment appraisal techniques
- Explain and calculate methodologies such as equivalent annual cost (EAC) in deciding between mutually exclusive investments of unequal lives
- Assess the relative merits of discounted cash flow (DCF) capital investment appraisal techniques with non DCF
- Identify and discuss non-financial factors and their relative importance in the investment appraisal decision making process including a basic awareness of risk and uncertainty in capital investment projects
- Introduction to the concept of cost of capital and the cost of the various elements of the capital structure leading to the calculation of WACC

Sources of finance (debt & equity):

- Identify and discuss short-term sources of finance (bank overdraft, factoring, invoice discounting, trade credit and leasing), including an assessment of the benefits and drawbacks of these alternatives
- Identify and discuss long-term sources of equity finance (New share issues – private and public, rights issues, retained earnings, venture equity capital) and the relative benefits and drawbacks of these sources of equity finance
- Identify and discuss long-term sources of debt finance (corporate bonds, commercial mortgages, sale and lease back, venture debt capital hire purchase, leasing, long-term loans)
- Compare/contrast and calculate the impact of raising debt or equity finance on EPS and gearing ratios (interest cover and capital structure) including discussion of the relative merits and drawbacks of various mixes of debt/equity finance
- Explain and discuss the relative merits of retained earnings as a source of finance and the considerations involved in formulation of a dividend policy
- Explain and discuss the basic requirements to address in raising finance: purpose, amount, repayment, term/duration, security (PARTS)
- Selecting the type, source, and mix of short, medium and long-term finance appropriate to a given situation (particularly sources of finance for SMEs)

Working capital management:

- Explain and discuss the importance of working capital management in the financial management and the significance of liquidity management
- Identify and discuss the relative merits of centralised versus decentralised working capital and cash flow management in multi-site operations
- Explain and calculate the cash operating cycle and the importance of continuously monitoring and managing this cycle in the context of the industry in which the organisation operates
- Explain and calculate key working capital ratios including: the current ratio, the asset test, trade receivables days, inventory days and trade payables days) interpreting findings and formulating recommendations for their improvement
- Management of each of the key components of working capital management in an organisation including an ability to conduct financial analysis different working capital strategies (inventory, trade receivables, trade payables and cash).
- Explain and calculate the impact of various techniques to manage accounts receivable including: factoring, invoice discounting, early settlement discounts
- Explain and discuss the importance of assessing creditworthiness and operation of efficient credit control procedures
- Explain and calculate the impact of various techniques to manage inventory including: just-in-time (JIT), economic order quantity (EOQ) and production/service process efficiency
- Explain and calculate the impact of various techniques to manage trade payables including: trade credit optimisation, early payment discounts, bulk purchase discounts
- Explain the various purposes of holding cash and apply cash management models such as: the Baumol model and the Miller-Orr model to a given situation
- Explain, discuss and calculate the impact of adopting a conservative, neutral or aggressive working capital funding strategy and discuss the influence of management's attitude to risk in selecting a preferred funding strategy
- Explain the concepts of undercapitalisation and over capitalisation identifying characteristics which might indicate the existence of undercapitalisation or overcapitalisation with recommended possible actions to rectify the situation

- Explain, discuss and calculate cash flow forecasts to identify/quantify future working capital funding requirements and recommend alternative working capital management techniques to resolve any projected funding issues identified
- Identification of the weaknesses of, and remedies for, poor working capital management in a given scenario.

Performance measurement:

- Explain, discuss, calculate and interpret the relative performance of an organisation using conventional ratio analysis (profitability, liquidity, gearing and investor ratios) identifying the relative merits /de-merits of this methodology
- Explain, discuss and apply Kaplan and Norton's balanced scorecard concept in different types of organisation at operational, tactical and/or strategic levels within an organisation in the context of the industry in which it operates
- Compare and contrast the relative merits/de-merits of conventional ratio analysis and the balanced scorecard methodology in providing a comprehensive assessment of organisational performance
- Explain and discuss the benefits and drawbacks of managerial reward schemes based on the achievement of performance measures based on either financial or non-financial performance targets established using conventional ratios or balanced scorecard methodologies
- Explain the meaning of critical success factors (CSFs) and key performance indicators (KPIs) and the impact on managerial reward
- Advise on possible non-financial key performance indicators in a given scenario or for an organisation you have researched
- Distinguish between managerial performance and organisational performance and discuss the drawbacks of not making this distinction

## Reading lists and other information resources

| **Title** | Author | Publisher | Year |
|---|---|---|---|
| **Essential:** | | | |
| Corporate Financial Management | Arnold, G | FT Prentice Hall | 2016 |
| Financial Management – ACCA F9 Textbook | | BPP Learning Media | 2018annual update |
| Fundamentals of Investment: an Irish Perspective | Loughlin, B & O'Brien, F. | Gill and Macmillan | 2011 |
| **Recommended:** | | | |
| Financial Management – 3rd Edition | Power, Walsh and O'Meara | Gill and MacMillan | 2009 |
| Principles of Corporate Finance | Brearley, R | McGraw Hill | 2002 |