

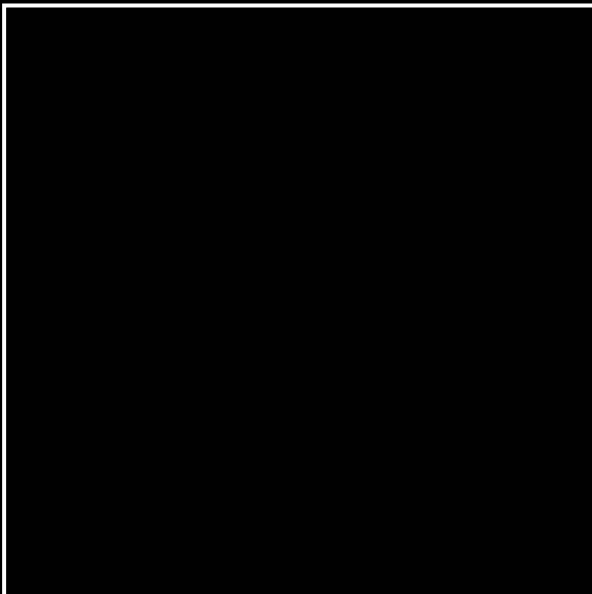
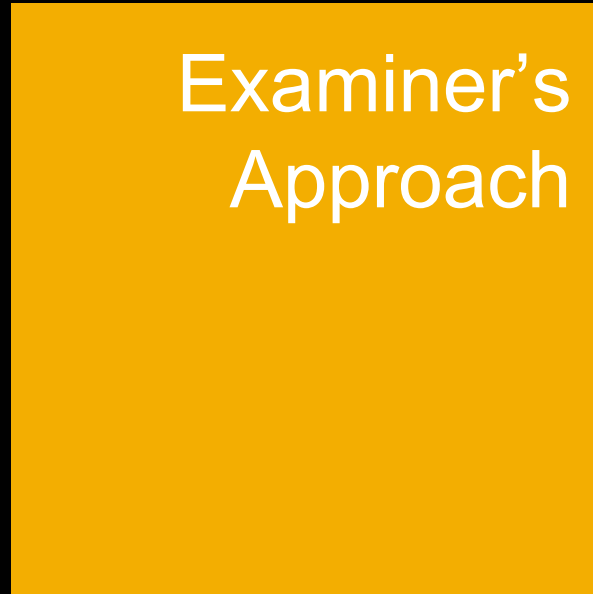
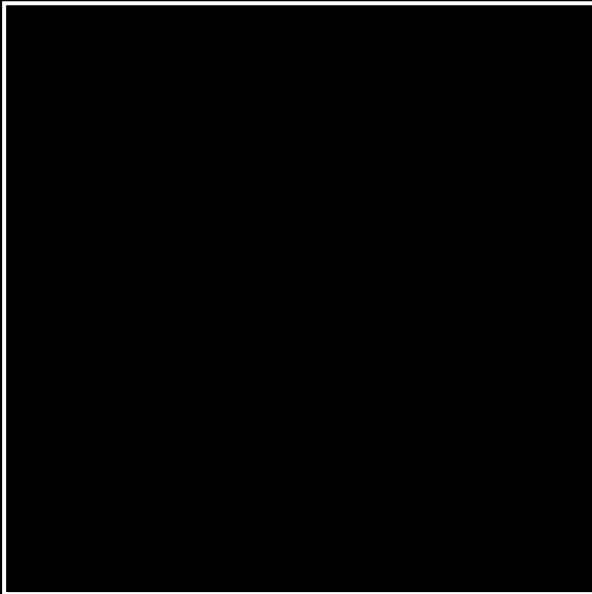
ACCA



Antony Head

F9,  
Financial  
Management

# Examiner's Approach



# Examiner's Approach to Paper F9

- Topics in current Papers 2.4 and 3.7 merge in new syllabus Paper F9 Financial Management
- Whole syllabus is examinable
- Lead in to Paper F9 will be supported by articles in *Student Accountant*
- You should all be familiar with my style, since I have been examining Paper 2.4 since 2002
- Note the F9 'Study Guide' does not give outline study sessions like current Paper 2.4 study guide, but is very clear as to content

# Format and Style of Exam

# Format of the Examination Paper

- Four compulsory questions, so there is no choice about which questions to answer
- Each question is worth equal marks
- Each questions has both discussion and calculation elements – there is no essay question
- 15 minutes reading time at start of examination
- Note that Paper F9 uses international terminology

# Formula Sheet

- EOQ model
- Miller-Orr model
- Capital asset pricing model
- Weighted average cost of capital
- Asset beta formula

# Formula Sheet

- The growth model
- Gordon's growth approximation
- Fisher formula
- Purchasing power parity
- Interest rate parity

# Rationale and Links

# Rationale of Paper F9 and Links

- To equip candidates with the skills that would be expected from a financial manager responsible for the finance function of a business
- Links upwards to Paper P4 *Advanced Financial Management*
- Relates in terms of past questions and selected areas of content to Papers 2.4 and 3.7

# Paper F9 Syllabus

# Sections of the Syllabus

- A: Role and function of the financial manager
- B: Financial management environment
- C: Working capital management
- D: Investment appraisal techniques

# Sections of the Syllabus

- E: Sources of business finance
- F: Cost of capital
- G: Business valuations
- H: Risk management

# Financial Management Function

- Section A 'Financial Management Function' is broadly similar to Section 1 'Financial Management Objectives' in current 2.4 syllabus
- Explicit reference to agency theory
- Requirement to describe and apply ways of measuring achievement of corporate objectives, including ratio analysis and changes in dividends and share prices
- Explicit reference to managerial reward schemes and regulatory requirements

# Financial Management Environment

- Section B 'Financial Management Environment is very similar to Section 2 'Financial Management Environment' in current 2.4 syllabus
- Market efficiency covered elsewhere in syllabus
- Macroeconomic policies, their impact on business decisions, competition policy, government aid, green policies, corporate governance all included
- Nature, role and functions of financial markets, financial intermediaries, financial securities and the risk-return trade-off also covered

# Working Capital Management

- Section C 'Working Capital Management' similar to Section 3 'Management of Working Capital' in current 2.4 syllabus
- International terminology shift to inventories, accounts receivable, accounts payable, etc., which also affects names of ratios
- Very little change to content here

# Investment Appraisal

- Section D 'Investment Appraisal' very similar to Section 5 'Capital Investment Appraisal' in current 2.4 syllabus
- Explicit reference to role of investment appraisal in the capital budgeting process, and to capital budgeting process in relation to corporate strategy

# Business Finance

- Section E 'Business Finance' very similar to Section 4 'Sources of Finance' in current 2.4 syllabus
- Explicit reference to sources of and raising short-term finance
- Also covers long-term finance, internal sources of finance, dividend policy, gearing and capital structure, finance for SMEs'

# Cost of Capital

- New section F 'Cost of Capital' compared to Paper 2.4 but familiar area from Paper 3.7
- Covers relative costs of different sources of finance, calculating cost of equity, cost of debt and so on, calculating WACC, capital structure theories (including Miller and Modigliani) and impact of cost of capital on investments
- Includes using CAPM to calculate project-specific discount rate

# Business Valuations

- New section G 'Business Valuations' compared to Paper 2.4 but familiar area from Paper 3.7
- Includes information requirements for valuation
- Studies both asset-based and income-based valuation methods
- Covers valuation of both businesses and financial securities (equity, redeemable debt, preference shares, convertible debt)

# Business Valuations

- Efficient market hypothesis considered here
- Also includes requirement to discuss practical considerations in share valuation
- Explicit reference to investor speculation and behavioural finance

# Risk Management

- New section H 'Risk Management' compared to Paper 2.4 but familiar area from Paper 3.7
- Covers both exchange rate and interest rate risk
- Nature and types of risk
- Causes of exchange rate differences and interest rate fluctuations

# Risk Management

- Hedging techniques for foreign currency risk and interest rate risk
- Derivatives covered at an introductory level only, detailed evaluation will not be required

# Preparing for Paper F9

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- Both BPP and Kaplan Publishing Foulks Lynch workbooks will be available prior to teaching, to be reviewed by me
- Textbooks: Watson and Head (Corporate Finance), Van Horne and Wachowitz (Financial Management), Griffiths and Wall (Economics)
- Use Pilot Paper as a guide
- Practice relevant questions from past Paper 2.4 and 3.7 exams
- Send suggestions for *Student Accountant* articles and any queries to ACCA for forwarding to me



Thank you