

Advanced Financial Management (P4) September 2016 to June 2017

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, learning and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

Learning Materials

ACCA's Approved Content Programme is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has three Approved Content Providers, Becker Professional Education, BPP Learning Media and Kaplan Publishing.

For information about ACCA's Approved Content Providers please go to ACCA's Content Provider Directory.

The Directory also lists materials by other publishers, these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials or for variant exams where no approved content is available. You will also find details of Additional Reading suggested by the examining teams and this may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here – <http://www.accaglobal.com/uk/en/student/acca-qual-student-journey/study-revision/learning-providers/alp-content.html>

Relevant articles are also published in Student Accountant and available on the ACCA website.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student

progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are paper

based exams containing a mix of objective and longer type questions with a duration of three hours 15 minutes. From September 2016 these exams will also be available as computer-based exams. Further information will be released on these in April 2016. The *Corporate and Business Law* (F4) paper is a two- hour objective test examination which is also available as a computer based exams for English and Global variants, as well as paper based for all variants.

The Professional level papers are all of three hours 15 minutes duration and, all contain two sections. Section A is compulsory, but there will be some choice offered in Section B.

ACCA has removed the restriction relating to reading and planning time, so that while the time considered necessary to complete these exams remains at 3 hours, candidates may use the additional 15 minutes as they choose. ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start writing in their answer books.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation *issued* or legislation *passed* on or before 31st August annually, will be examinable from 1st September of the following year to 31st August [†] of the year after that. Please refer to the examinable documents for the paper (where relevant) for further information.

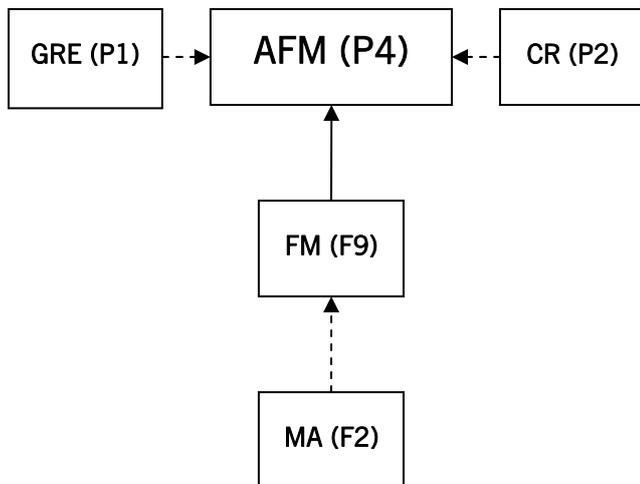
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the *effective* date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus



AIM

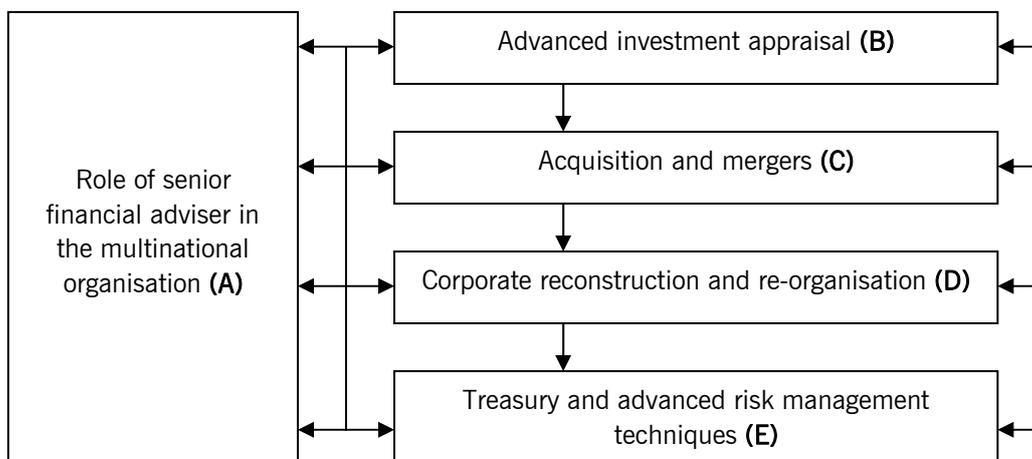
To apply relevant knowledge, skills and exercise professional judgement as expected of a senior financial executive or advisor, in taking or recommending decisions relating to the financial management of an organisation in private and public sectors.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:

- A** Explain and evaluate the role and responsibility of the senior financial executive or advisor in meeting conflicting needs of stakeholders and recognise the role of international financial institutions in the financial management of multinationals
- B** Evaluate potential investment decisions and assessing their financial and strategic consequences, both domestically and internationally
- C** Assess and plan acquisitions and mergers as an alternative growth strategy
- D** Evaluate and advise on alternative corporate re-organisation strategies
- E** Apply and evaluate alternative advanced treasury and risk management techniques

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus develops upon the core financial management knowledge and skills covered in the F9, *Financial Management*, syllabus at the Fundamentals level and prepares candidates to advise management and/or clients on complex strategic financial management issues facing an organisation.

The syllabus starts by exploring the role and responsibility of a senior executive or advisor in meeting competing needs of stakeholders within the business environment of multinationals. The syllabus then re-examines investment and financing decisions, with the emphasis moving towards the strategic consequences of making such decisions in a domestic, as well as international, context. Candidates are then expected to develop further advisory skills in planning strategic acquisitions and mergers and corporate re-organisations.

The next part of the syllabus re-examines, in the broadest sense, the existence of risks in business and the sophisticated strategies which are employed in order to manage such risks. It builds on what candidates would have covered in the F9, *Financial Management*, syllabus and the P1, *Governance, Risk and Ethics*, syllabus.

DETAILED SYLLABUS

A Role of senior financial adviser in the multinational organisation

1. The role and responsibility of senior financial executive/advisor
2. Financial strategy formulation
3. Ethical and governance issues
4. Management of international trade and finance
5. Strategic business and financial planning for multinational organisations
6. Dividend policy in multinationals and transfer pricing

B Advanced investment appraisal

1. Discounted cash flow techniques
2. Application of option pricing theory in investment decisions
3. Impact of financing on investment decisions and adjusted present values
4. Valuation and the use of free cash flows
5. International investment and financing decisions

C Acquisitions and mergers

1. Acquisitions and mergers versus other growth strategies
2. Valuation for acquisitions and mergers
3. Regulatory framework and processes
4. Financing acquisitions and mergers

D Corporate reconstruction and re-organisation

1. Financial reconstruction
2. Business re-organisation

E Treasury and advanced risk management techniques

1. The role of the treasury function in multinationals
2. The use of financial derivatives to hedge against forex risk
3. The use of financial derivatives to hedge against interest rate risk

APPROACH TO EXAMINING THE SYLLABUS

The P4, *Advanced Financial Management*, paper builds upon the skills and knowledge examined in the F9, *Financial Management*, paper. At this stage candidates will be expected to demonstrate an integrated knowledge of the subject and an ability to relate their technical understanding of the subject to issues of strategic importance to the organisation. The study guide specifies the wide range of contextual understanding that is required to achieve a satisfactory standard at this level.

Examination Structure

The syllabus is assessed by a three-hour 15 minutes paper-based examination.

Section A:

Section A will contain a compulsory question, comprising of 50 marks.

Section A will normally cover significant issues relevant to the senior financial manager or advisor and will be set in the form of a case study or scenario. The requirements of the section A question are such that candidates will be expected to show a comprehensive understanding of issues from across the syllabus. The question will contain a mix of computational and discursive elements. Within this question candidates will be expected to provide answers in a specified form such as a short report or board memorandum commensurate with the professional level of the paper in part or whole of the question.

Section B:

In section B candidates will be asked to answer two from three questions, comprising of 25 marks each.

Section B questions are designed to provide a more focused test of the syllabus. Questions will normally contain a mix of computational and discursive elements, but may also be wholly discursive or evaluative where computations are already provided.

Total 100 marks

Study Guide

A ROLE OF THE SENIOR FINANCIAL ADVISER IN THE MULTINATIONAL ORGANISATION

1. The role and responsibility of senior financial executive/advisor

- a) Develop strategies for the achievement of the organisational goals in line with its agreed policy framework.^[3]
- b) Recommend strategies for the management of the financial resources of the organisation such that they are utilised in an efficient, effective and transparent way.^[3]
- c) Advise the board of directors or management of the organisation in setting the financial goals of the business and in its financial policy development with particular reference to:^[3]
 - i) Investment selection and capital resource allocation
 - ii) Minimising the cost of capital
 - iii) Distribution and retention policy
 - iv) Communicating financial policy and corporate goals to internal and external stakeholders
 - v) Financial planning and control
 - vi) The management of risk.

2. Financial strategy formulation

- a) Assess organisational performance using methods such as ratios and trends^[3]
- b) Recommend the optimum capital mix and structure within a specified business context and capital asset structure.^[3]
- c) Recommend appropriate distribution and retention policy.^[3]
- d) Explain the theoretical and practical rationale for the management of risk.^[3]
- e) Assess the organisation's exposure to business and financial risk including operational, reputational, political, economic, regulatory and fiscal risk.^[3]

- f) Develop a framework for risk management, comparing and contrasting risk mitigation, hedging and diversification strategies.^[3]
- g) Establish capital investment monitoring and risk management systems.^[3]
- h) Advise on the impact of behavioural finance on financial strategies / securities prices and why they may not follow the conventional financial theories.^[3]

3. Ethical and governance issues

- a) Assess the ethical dimension within business issues and decisions and advise on best practice in the financial management of the organisation.^[3]
- b) Demonstrate an understanding of the interconnectedness of the ethics of good business practice between all of the functional areas of the organisation.^[2]
- c) Recommend, within specified problem domains, appropriate strategies for the resolution of stakeholder conflict and advise on alternative approaches that may be adopted.^[3]
- d) Recommend an ethical framework for the development of an organisation's financial policies and a system for the assessment of its ethical impact upon the financial management of the organisation.^[3]
- e) Explore the areas within the ethical framework of the organisation which may be undermined by agency effects and/or stakeholder conflicts and establish strategies for dealing with them.^[3]
- f) Establish an ethical financial policy for the financial management of the organisation which is grounded in good governance, the highest standards of probity and is fully aligned with the ethical principles of the Association.^[3]
- g) Assess the impact on sustainability and environmental issues arising from alternative organisational business and financial decisions.^[3]
- h) Assess and advise on the impact of investment and financing strategies and decisions on the

organisation's stakeholders, from an integrated reporting and governance perspective ^[2]

4. Management of international trade and finance

- a) Advise on the theory and practice of free trade and the management of barriers to trade.^[3]
- b) Demonstrate an up to date understanding of the major trade agreements and common markets and, on the basis of contemporary circumstances, advise on their policies and strategic implications for a given business.^[3]
- c) Discuss how the actions of the World Trade Organisation, the International Monetary Fund, The World Bank and Central Banks can affect a multinational organisation.^[2]
- d) Discuss the role of international financial institutions within the context of a globalised economy, with particular attention to (the Fed, Bank of England, European Central Bank and the Bank of Japan).^[2]
- e) Discuss the role of the international financial markets with respect to the management of global debt, the financial development of the emerging economies and the maintenance of global financial stability.^[2]
- f) Discuss the significance to the organisation, of latest developments in the world financial markets such as the causes and impact of the recent financial crisis; growth and impact of dark pool trading systems; the removal of barriers to the free movement of capital; and the international regulations on money laundering.^[2]
- g) Demonstrate an awareness of new developments in the macroeconomic environment, assessing their impact upon the organisation, and advising on the appropriate response to those developments both internally and externally.^[2]

5. Strategic business and financial planning for multinationals

- a) Advise on the development of a financial planning framework for a multinational organisation taking into account.^[3]
 - i) Compliance with national regulatory requirements (for example the London Stock Exchange admission requirements)
 - ii) The mobility of capital across borders and national limitations on remittances and transfer pricing
 - iii) The pattern of economic and other risk exposures in the different national markets
 - iv) Agency issues in the central coordination of overseas operations and the balancing of local financial autonomy with effective central control.

6. Dividend policy in multinationals and transfer pricing

- a) Determine a corporation's dividend capacity and its policy given.^[3]
 - i) The corporation's short- and long-term reinvestment strategy
 - ii) The impact of capital reconstruction programmes such as share repurchase agreements and new capital issues on free cash flow to equity.
 - iii) The availability and timing of central remittances
 - iv) The corporate tax regime within the host jurisdiction.
- b) Advise, in the context of a specified capital investment programme, on an organisation's current and projected dividend capacity.^[3]
- c) Develop organisational policy on the transfer pricing of goods and services across international borders and be able to determine the most appropriate transfer pricing strategy in a given situation reflecting local regulations and tax regimes.^[3]

B ADVANCED INVESTMENT APPRAISAL

1. Discounted cash flow techniques

- a) Evaluate the potential value added to an organisation arising from a specified capital

investment project or portfolio using the net present value (NPV) model.^[3]

Project modelling should include explicit treatment and discussion of:

- i) Inflation and specific price variation
- ii) Taxation including tax allowable depreciation and tax exhaustion
- iii) Single period and multi-period capital rationing. Multi-period capital rationing to include the formulation of programming methods and the interpretation of their output
- iv) Probability analysis and sensitivity analysis when adjusting for risk and uncertainty in investment appraisal
- v) Risk adjusted discount rates
- vi) Project duration as a measure of risk.

- b) Outline the application of Monte Carlo simulation to investment appraisal.^[2]
Candidates will not be expected to undertake simulations in an examination context but will be expected to demonstrate an understanding of:
 - i) The significance of the simulation output and the assessment of the likelihood of project success
 - ii) The measurement and interpretation of project value at risk.
- c) Establish the potential economic return (using internal rate of return (IRR) and modified internal rate of return) and advise on a project's return margin. Discuss the relative merits of NPV and IRR.^[3]

2. Application of option pricing theory in investment decisions

- a) Apply the Black-Scholes Option Pricing (BSOP) model to financial product valuation and to asset valuation:^[3]
 - i) Determine and discuss, using published data, the five principal drivers of option value (value of the underlying, exercise price, time to expiry, volatility and the risk-free rate)
 - ii) Discuss the underlying assumptions, structure, application and limitations of the BSOP model.

- b) Evaluate embedded real options within a project, classifying them into one of the real option archetypes.^[3]

- c) Assess, calculate and advise on the value of options to delay, expand, redeploy and withdraw using the BSOP model.^[3]

3. Impact of financing on investment decisions and adjusted present values

- a) Identify and assess the appropriateness of the range of sources of finance available to an organisation including equity, debt, hybrids, lease finance, venture capital, business angel finance, private equity, asset securitisation and sale and Islamic finance. Including assessment on the financial position, financial risk and the value of an organisation.^[3]

- b) Discuss the role of, and developments in, Islamic financing as a growing source of finance for organisations; explaining the rationale for its use, and identifying its benefits and deficiencies.^[2]

- c) Calculate the cost of capital of an organisation, including the cost of equity and cost of debt, based on the range of equity and debt sources of finance. Discuss the appropriateness of using the cost of capital to establish project and organisational value, and discuss its relationship to such value.^[3]

- d) Calculate and evaluate project specific cost of equity and cost of capital, including their impact on the overall cost of capital of an organisation. Demonstrate detailed knowledge of business and financial risk, the capital asset pricing model and the relationship between equity and asset betas.^[3]

- e) Assess an organisation's debt exposure to interest rate changes using the simple Macaulay duration and modified duration methods.^[3]

- f) Discuss the benefits and limitations of duration including the impact of convexity.^[3]

- g) Assess the organisation's exposure to credit risk, including:^[3]

- i) Explain the role of, and the risk assessment models used by the principal rating agencies
- ii) Estimate the likely credit spread over risk free
- iii) Estimate the organisation's current cost of debt capital using the appropriate term structure of interest rates and the credit spread.

- h) Assess the impact of financing and capital structure upon the organisation with respect to:^[3]
 - i) Modigliani and Miller propositions, before and after tax
 - ii) Static trade-off theory
 - iii) Pecking order propositions
 - iv) Agency effects.

- i) Apply the adjusted present value technique to the appraisal of investment decisions that entail significant alterations in the financial structure of the organisation, including their fiscal and transactions cost implications.^[3]

- j) Assess the impact of a significant capital investment project upon the reported financial position and performance of the organisation taking into account alternative financing strategies.^[3]

4. Valuation and the use of free cash flows

- a) Apply asset based, income based and cash flow based models to value equity. Apply appropriate models, including term structure of interest rates, the yield curve and credit spreads, to value corporate debt.^[3]
- b) Forecast an organisation's free cash flow and its free cash flow to equity (pre and post capital reinvestment).^[3]
- c) Advise on the value of an organisation using its free cash flow and free cash flow to equity under alternative horizon and growth assumptions.^[3]
- d) Explain the use of the BSOP model to estimate the value of equity of an organisation and discuss the implications of the model for a change in the value of equity.^[2]

- e) Explain the role of BSOP model in the assessment of default risk, the value of debt and its potential recoverability.^[2]

5. International investment and financing decisions

- a) Assess the impact upon the value of a project of alternative exchange rate assumptions.^[3]
- b) Forecast project or organisation free cash flows in any specified currency and determine the project's net present value or organisation value under differing exchange rate, fiscal and transaction cost assumptions.^[2]
- c) Evaluate the significance of exchange controls for a given investment decision and strategies for dealing with restricted remittance.^[3]
- d) Assess the impact of a project upon an organisation's exposure to translation, transaction and economic risk.^[3]
- e) Assess and advise on the costs and benefits of alternative sources of finance available within the international equity and bond markets.^[3]

C ACQUISITIONS AND MERGERS

1. Acquisitions and mergers versus other growth strategies

- a) Discuss the arguments for and against the use of acquisitions and mergers as a method of corporate expansion.^[2]
- b) Evaluate the corporate and competitive nature of a given acquisition proposal.^[3]
- c) Advise upon the criteria for choosing an appropriate target for acquisition.^[3]
- d) Compare the various explanations for the high failure rate of acquisitions in enhancing shareholder value.^[3]
- e) Evaluate, from a given context, the potential for synergy separately classified as:^[3]
 - i) Revenue synergy
 - ii) Cost synergy
 - iii) Financial synergy.

- f) Evaluate the use of the reverse takeover as a method of acquisition and as a way of obtaining a stock market listing.^[3]

2. Valuation for acquisitions and mergers

- a) Discuss the problem of overvaluation.^[2]
- b) Estimate the potential near-term and continuing growth levels of a corporation's earnings using both internal and external measures.^[3]
- c) Discuss, assess and advise on the value created from an acquisition or merger of both quoted and unquoted entities using models such as:^[3]
 - i) 'Book value-plus' models
 - ii) Market based models
 - iii) Cash flow models, including free cash flows.Taking into account the changes in the risk profile and risk exposure of the acquirer and the target entities
- d) Apply appropriate methods, such as: risk-adjusted cost of capital, adjusted net present values and changing price-earnings multipliers resulting from the acquisition or merger, to the valuation process where appropriate.^[3]
- e) Demonstrate an understanding of the procedure for valuing high growth start-ups.^[2]

3. Regulatory framework and processes

- a) Demonstrate an understanding of the principal factors influencing the development of the regulatory framework for mergers and acquisitions globally and, in particular, be able to compare and contrast the shareholder versus the stakeholder models of regulation.^[2]
- b) Identify the main regulatory issues which are likely to arise in the context of a given offer and
 - i) assess whether the offer is likely to be in the shareholders' best interests
 - ii) advise the directors of a target entity on the most appropriate defence if a specific offer is to be treated as hostile.^[3]

4. Financing acquisitions and mergers

- a) Compare the various sources of financing available for a proposed cash-based acquisition.^[3]
- b) Evaluate the advantages and disadvantages of a financial offer for a given acquisition proposal using pure or mixed mode financing and recommend the most appropriate offer to be made.^[3]
- c) Assess the impact of a given financial offer on the reported financial position and performance of the acquirer.^[3]

D CORPORATE RECONSTRUCTION AND RE-ORGANISATION

1. Financial reconstruction

- a) Assess an organisational situation and determine whether a financial reconstruction is an appropriate strategy for a given business situation.^[3]
- b) Assess the likely response of the capital market and/or individual suppliers of capital to any reconstruction scheme and the impact their response is likely to have upon the value of the organisation.^[3]

2. Business re-organisation

- a) Recommend, with reasons, strategies for unbundling parts of a quoted company.^[3]
- b) Evaluate the likely financial and other benefits of unbundling.^[3]
- c) Advise on the financial issues relating to a management buy-out and buy-in.^[3]

E TREASURY AND ADVANCED RISK MANAGEMENT TECHNIQUES

1. The role of the treasury function in multinationals

- a) Discuss the role of the treasury management function within.^[3]
 - i) The short term management of the organisation's financial resources

- ii) The longer term maximisation of corporate value
- iii) The management of risk exposure.

- iv) Currency swaps
- v) FOREX swaps
- vi) Currency options.

- b) Discuss the operations of the derivatives market, including:^[3]
 - i) The relative advantages and disadvantages of exchange traded versus OTC agreements
 - ii) Key features, such as standard contracts, tick sizes, margin requirements and margin trading
 - iii) The source of basis risk and how it can be minimised.
 - iv) Risks such as delta, gamma, vega, rho and theta, and how these can be managed.

- c) Advise on the use of bilateral and multilateral netting and matching as tools for minimising FOREX transactions costs and the management of market barriers to the free movement of capital and other remittances.^[3]

2. The use of financial derivatives to hedge against forex risk

3. The use of financial derivatives to hedge against interest rate risk

- a) Assess the impact on an organisation to exposure in translation, transaction and economic risks and how these can be managed.^[3]
- b) Evaluate, for a given hedging requirement, which of the following is the most appropriate strategy, given the nature of the underlying position and the risk exposure:^[3]
 - i) The use of the forward exchange market and the creation of a money market hedge
 - ii) Synthetic foreign exchange agreements (SAFEs)
 - iii) Exchange-traded currency futures contracts

- a) Evaluate, for a given hedging requirement, which of the following is the most appropriate given the nature of the underlying position and the risk exposure:^[3]
 - i) Forward Rate Agreements (FRAs)
 - ii) Interest rate futures
 - iii) Interest rate swaps
 - iv) Interest rate options.

SUMMARY OF CHANGES TO P4

There are changes to the syllabus to reflect the latest business and educational developments affecting this paper. These are summarised in the table below.

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

Amendments / Additions / Deletions

Section and subject area	Syllabus content
A ROLE OF THE SENIOR FINANCIAL ADVISER IN THE MULTINATIONAL ORGANISATION	<p>This syllabus area contains outcomes from the role and responsibility towards stakeholders, economic environment for multinationals and emerging issues sections of the previous syllabus.</p> <p>Some outcomes from these old section have been deleted whilst other have been amended or simplified. A2h) on behavioural finance is a new syllabus outcome A3g) is an amended outcome relating to environmental issues and sustainability.</p> <p>Most of the conflicting stakeholder interests learning outcomes have been removed, only the new A3c) remains.</p> <p>A4f) and A4g) are amended outcomes and have altered the scope of the outcome relating to international financial institutions.</p> <p>Section A6 was also previously part of the treasury and risk management section.</p> <p>EVA has been removed from the syllabus and is no longer examinable in P4.</p>
B1a vi)	New outcome added to test duration in terms of project appraisal in addition to debt finance.
B1b	Outcomes relating to the design and distribution underlying a simulation model have been removed.
C1f)	New outcome added to evaluate the use of reverse takeovers.
C2 Valuation for acquisition and mergers	Outcomes in this section have been simplified by the removal of references to types 1, 2 and 3. C2c) and C2d) are amended outcomes from the previous syllabus
Financial reconstruction	The third outcome under this heading has been removed as it duplicated other outcomes.
EMERGING ISSUES	This syllabus area no longer exists separately and instead the learning outcomes have been moved to the relevant syllabus area. These outcomes are now A4d), A4e) and B3b).

There are other minor wording changes which have been made to several outcomes. These outcomes are A2a), A4e), B3b), D1a), E3a iv).