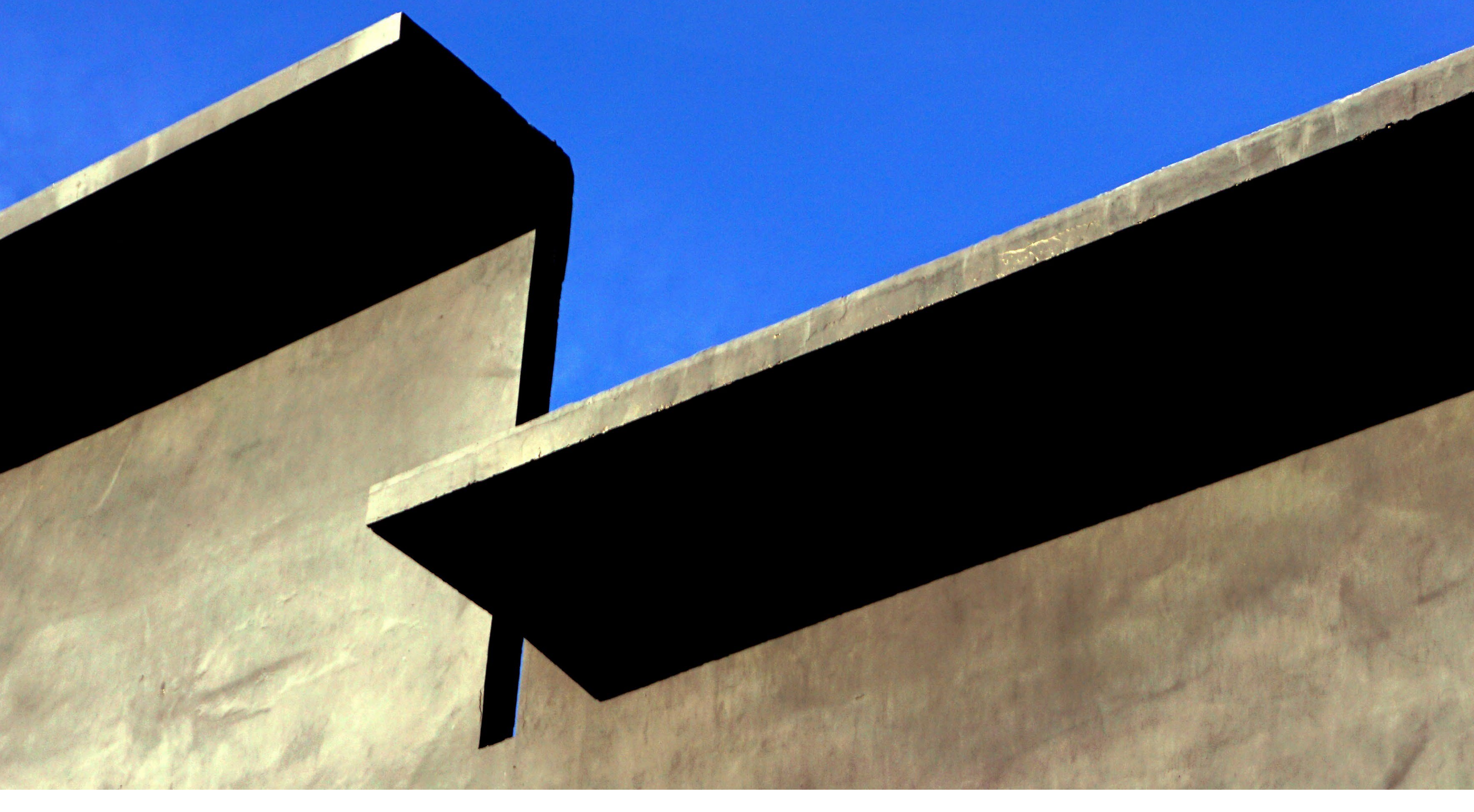
ACCA CERTIFICATE IN FINANCIAL MANAGEMENT
FOUNDATIONS IN FINANCIAL MANAGEMENT
RQF Level 4
(FFM)

Syllabus and study guide

DECEMBER 2024 TO JUNE 2025

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session



Contents

1. Overall aim of the syllabus

To develop knowledge and understanding of ways organisations finance their operations, plan and control cash flows, optimise their use of working capital and allocate resources to long term investment projects.

2. Introduction to the syllabus

The syllabus for FFM introduces students to different ways of managing finance within an organisation with the aim of enhancing business performance. This includes planning and controlling of cash flow in both the short and long term, how to manage capital investment decisions and managing trade credit for an efficient flow of cash.

The syllabus starts by introducing the principles of effective working capital management, and the impact working capital has on an organisation's cash flow. It then looks at the techniques for forecasting cash to aid an organisation in planning its cash needs.

The next area of the syllabus looks at the different ways of managing cash in the short, medium and long term, including investing funds in capital projects. It then looks at procedures for effective credit management to maximise flow of cash to the business.

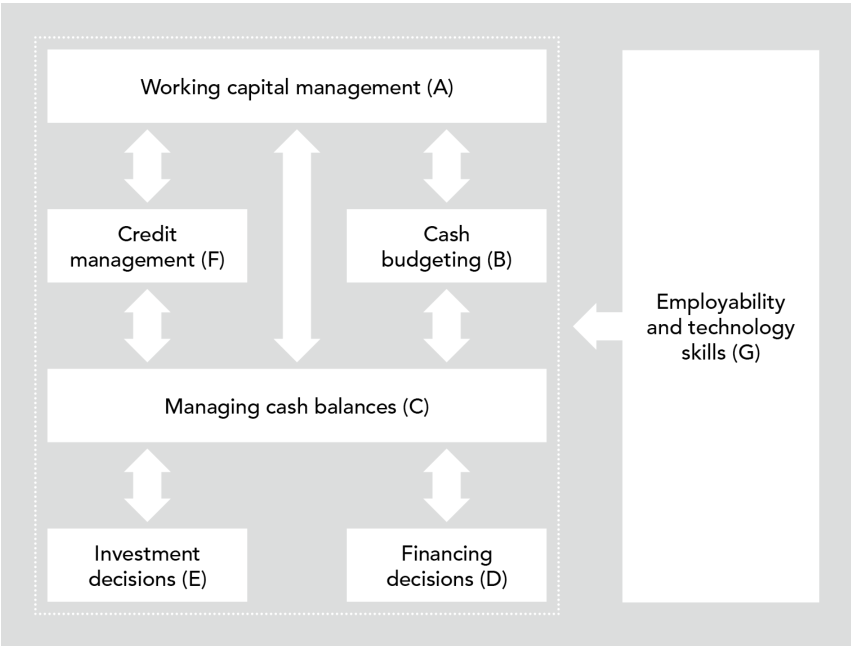
The syllabus finally considers the digital and employability skills in preparing for and taking the FFM exams. This includes being able to interact with different question item types, manage information presented in digital format and being able to use the relevant functionality and technology to prepare and present response options in a professional manner. These skills are specifically developed by practising and preparing for the FFM examination, using the learning support content for computer- based examinations available via the practice platform and the ACCA website and will need to be demonstrated during the live examinations.

3. Main capabilities

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

A Explain and apply the principles of working capital management
B Apply a range of accounting techniques used to forecast cash within the organisation
C Describe methods and procedures for managing cash balances
D Explain principles in making medium to long term financing decisions
E Explain and apply principles in making capital investment decisions
F Describe credit management methods and procedures
G Demonstrate employability and technology skills

Relational diagram of main capabilities:



4. Intellectual levels

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels on their way through each qualification.

Throughout, the study guides assess both knowledge and skills. Therefore, a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript ^{K} and the assessment of skills is denoted by the superscript ^{S}.

5. The syllabus

A Working capital management

1. Working capital management cycle
2. Inventory control
3. Accounts payables and receivables control

B Cash budgeting

1. Nature and sources of cash
2. Cash budgeting and forecasting

C Managing cash balances

1. Treasury function
2. Overview of financial markets
3. Managing deficit cash balances
4. Managing surplus cash balances

D Financing decisions

1. Money in the economy
2. Medium term financing
3. Long term financing
4. Financing for small and medium sized enterprises

E Investment decisions

1. Financing concepts
2. Capital budgeting
3. Capital investment appraisal

F Credit management

1. Legal issues
2. Credit granting
3. Monitoring accounts receivables
4. Debt collection

G Employability and technology

1. Use computer technology to efficiently access and manipulate relevant information
2. Work on relevant response options, using available functions and technology as would be required in the workplace
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools
4. Present data and information effectively, using the appropriate tools

6. Detailed study guide

A Working capital management

1. Working capital management cycle

a) Define working capital.[K]

b) Explain why working capital management is important.[K]

c) Explain the relationship between cash flows and the working capital cycle.[S]

d) Demonstrate the calculation of the working capital cycle (also known as the cash operating cycle).[S]

e) Outline the possible relationships between inventory levels and sales.[S]

f) Define and explain over-trading and over-capitalisation.[S]

g) Identify and calculate over-trading and over-capitalisation financial indicators.[S]

2. Inventory control

a) Discuss the key considerations when developing an inventory ordering and storage policy.[S]

b) Define and explain work in progress.[K]

c) Define economic order quantity (EOQ).[K]

d) Apply the EOQ model.[S]

e) Discuss the effects of just-in-time on inventory control.[S]

(Note: Economic Batch Quantities, where all items in a batch do not arrive simultaneously, will not be examined)

3. Accounts payable and receivables control

a) Explain the role of accounts payables in the working capital cycle.[K]

b) Explain the role of accounts receivables in the working capital cycle.[K]

c) Explain the need to monitor accounts payables.[S]

d) Explain accounts payables control operations and the importance of accounts payables management.[S]

e) Describe the various types and form of accounts payables.[K]

f) Describe the various accounts payables payment methods and procedures (for example, direct debit).[S]

g) Evaluate and demonstrate the issues involved with early payment and settlement discounts.[S]

h) Identify the risks of taking increased credit and buying under extended credit terms.[S]

B Cash budgeting

1. Nature and sources of cash

a) Define cash, cash flow and funds.[K]

b) Explain the importance of cash flow management and its impact on liquidity and company survival.[S]

c) Outline the various sources and applications of finance.[K]
   i) Regular revenue receipts and payments
   ii) Capital receipts and payments
   iii) Drawings or dividends and disbursements
   iv) Exceptional receipts and payments

d) Distinguish between the cash flow patterns of different types of organisations.[S]

e) Explain the importance of cash flow for sustainable growth of such organisations.[S]

f) Define “cash accounting” and “accruals accounting”.[K]

g) Explain the difference between cash accounting and accruals accounting.[K]

h) Reconcile cash flow to profit.[S]

2. Cash budgeting and forecasting

a) Explain the objectives of a cash budget.[K]

b) Explain and illustrate statistical techniques used in forecasting cash flows.[S]

c) Explain inflation and the impact on cash flow and profit.[K]

d) Prepare a cash budget, including adjustments for timing of receipts and payments.[S]

e) Discuss and illustrate how cash budgets can be used as a mechanism for monitoring and control.[S]

f) Carry out simple sensitivity analysis on a cash budget or forecast.[S]

g) Prepare a simple cleared funds forecast.[S]

C Managing cash balances

1. Treasury function

a) Outline the basic treasury functions.[K]

b) Discuss the advantages and disadvantages of a centralised treasury function.[K]

c) Discuss the advantages and disadvantages of centralised cash control.[K]

d) Describe cash handling procedures (including recording practises.[K]

e) Describe the issues to be considered when attempting to hold optimal cash balances.[S]

f) Outline the statutory and the other regulations relating to the management of cash.[K]

2. Overview of financial markets

a) Explain the role and functions of various types of banks (including the structure of the banking system).[K]

b) Identify the major financial intermediaries.[K]

c) Outline the general roles of financial intermediaries.[K]

d) Outline the key benefits of financial intermediation.[K]

e) Outline the relationships between financial institutions.[K]

f) Explain the purpose and main features of:[S]
i) Bank deposits
ii) Certificates of deposit
iii) Government stocks
iv) Local authority bonds
v) Bills of exchange

g) Explain the purpose and main features of:[S]
i) Equity
ii) Preferred shares
iii) Secured loan note
iv) Unsecured loan note
v) Convertible and redeemable debt
vi) Warrants

h) Explain the basic nature of a money market.[K]

i) Describe the way in which a stock market (both main and second tier) operates.[K]

j) Discuss ways in which a company may obtain a stock market listing and the advantages and disadvantages of having a stock market listing.[S]

3. Managing deficit cash balances

a) Discuss situations where it may be appropriate to raise short-term finance.[S]

b) Describe the different forms of bank loans and overdrafts, their terms and conditions.[S]

c) Explain the legal relationship between bank and customer.[K]

d) Explain the nature of trade credit and its use as a short-term source of finance.[S]

e) Evaluate the risks associated with increasing the amount of short-term finance in an organisation.[S]

f) Discuss the relative merits and limitations of short term finance.[S]

4. Managing surplus cash balances

a) Define what is meant by “surplus funds”.[K]

b) Explain how surplus funds may arise.[K]

c) Discuss the objectives to be considered in the investment of surplus funds.[S]

d) Invest surplus funds according to organisational policy and within defined financial authorisation limits.[S]

e) Define the risk-return trade-off.[K]

f) Outline what is meant by risk of default, systematic risk and unsystematic risk.[K]

g) Outline how the Baumol cash management model works (note – calculations are not required).[K]

h) Discuss the limitations of the Baumol cash management model.[K]

i) Suggest appropriate liquidity levels for a range of different organisations.[S]

D Financing decisions

1. Money in the economy

a) Define what is meant by “money supply” in an economic context.[K]

b) Outline how money supply may be controlled in an economy.[K]

c) Outline the basic relationship between the demand for money and interest rates.[K]

d) Explain briefly and illustrate the interaction between inflation and interest rates.[S]

e) Discuss the possible consequences of inflation in an economy and its effect on organisations in general.[K]

f) Describe how the application of different monetary policies can affect the economy.[K]

2 Medium term financing

a) Discuss situations where it may be appropriate to raise medium-term finance.[S]

b) Describe the main features of hire purchase, and leases.[K]

c) Compare and contrast the main features of hire purchase, and leases (NB – lease or buy decisions are not examinable).[S]

d) Discuss the relative merits and limitations of medium term finance.[S]

3. Long term financing

a) Discuss situations where it may be appropriate to raise long-term finance.[S]

b) Describe the key factors to be considered when deciding on an appropriate source of long term finance (debt or equity).[S]

c) Calculate relative gearing and earnings per share under different financial structures.[S]

d) Discuss the relative merits and limitations of long term finance.[S]

e) Describe the key factors that should be considered in deciding the mix of short/medium/long term finance in an organisation.[S]

f) Discuss the nature and importance of internally generated funds.[K]

g) Outline the major sources of government funds e.g. grants, regional and national schemes.[K]

4. Financing for small and medium sized enterprises

a) Outline the requirements for finance of SMEs (purpose, how much, how long).[K]

b) Describe the nature of the financing problem for SMEs in terms of the funding gap, maturity gap and inadequate security.[S]

c) Discuss the contribution of lack of information in SMEs to help explain the problems of SME financing.[K]

d) Describe and discuss the response of government agencies and financial institutions to the SME financing problem.[S]

e) Describe the main features of venture capital.[K]

f) Describe the key areas of concern to venture capitalists when evaluating an application for funding.[S]

g) Explain how the use of such measures as credit suppliers, hire purchase, factoring and second tier listing can help to ease the financial problems of SMEs.[S]

h) Outline appropriate sources of finance for SMEs.[S]

E Investment decisions

1. Financing concepts

a) Explain the differences between simple and compound interest.[K]

b) Calculate future values.[S]

c) Discuss the concept of time value of money.[S]

d) Discuss the concept of discounting.[S]

e) Calculate present values, making use of present value tables to establish discount factors.[S]

2. Capital budgeting

a) Discuss the importance of capital investment planning and control.[K]

b) Outline the issues to consider and the steps involved in the preparation of a capital expenditure budget.[S]

c) Define and distinguish between capital and revenue expenditure.[K]

d) Compare and contrast investment in non-current assets and investment in working capital. [K]

e) Describe capital investment procedures (authorisation and monitoring).[K]

3. Capital investment appraisal

a) Calculate the payback and discounted payback of a project and assess its usefulness as a method of investment appraisal.[S]

b) Calculate the accounting rate of return of a project and assess its usefulness as a method of investment appraisal.[S]

c) Discuss the concept of relevant cash flows for decision making.[K]

d) Identify and evaluate relevant cash flows for individual investment decisions.[S]

e) Explain the concept of net present value and how it can be used for project appraisal.[K]

f) Calculate net present value and interpret the results.[S]

(Note: NPV calculations will not include adjustments for inflation, tax or working capital)

g) Outline the concept of internal rate of return and how it can be used for project appraisal.[K]

h) Calculate internal rate of return and interpret the results.[S]

i) Discuss the relative merits of NPV and IRR, including mutually exclusive projects and multiple yields.[K]

j) Explain the superiority of DCF methods over payback and accounting rate of return.[K]

F Credit management

1. Legal issues

a) Explain the key elements of a basic contract offer, acceptance, remedies for breach of contract etc).[K]

b) Briefly outline specific terms and conditions that may be included in contracts with credit customers (e.g. length of credit period, amount of interest on late payments, retention of title.[S]

c) Outline the basic legal procedures for the collection of debts.[K]

d) Identify the main data protection issues that should be considered when dealing with accounts receivables records.[K]

e) Explain bankruptcy and insolvency.[K]

2. Credit granting

a) Explain the importance of credit management, including the level of trade credit, the role of the credit control function and the activities of the credit control function.[K]

b) Explain the need to establish a credit policy and outline the steps involved, including setting maximum credit amounts and periods and total credit levels.[S]

c) Explain the key categories that should be considered when assessing the credit-worthiness of a customer.[K]

d) Outline the various internal sources of information that may be used in assessing the credit-worthiness of a customer.[S]

e) Outline the various external sources of information that may be used in assessing the credit-worthiness of a customer.[S]

f) Define and explain credit scoring.[K]

g) Identify possible reasons for rejecting an application for credit or extending credit.[S]

h) Describe how the financial statements of a customer can be used to assess the credit-worthiness of a customer.[S]

i) Identify and apply the common ratios that may be used to analyse the financial statements of a customer in order to assess their credit-worthiness.[S]

j) Evaluate the usefulness and limitations of ratio analysis in assessing credit-worthiness.[S]

3. Monitoring accounts receivables

a) Identify the main contents of accounts receivables records.[S]

b) Describe the main internal sources that may be used to monitor accounts receivables (including aged trade receivables analysis, average periods of credit, incidence of bad debts).[S]

(Note - you may be required to prepare an aged accounts receivables analysis)

c) Describe the main external sources that may be used to monitor accounts receivables (including credit rating agencies, industry sources, financial reports, press coverage, official publications, bank or supplier reference).[S]

4. Debt collection

a) Identify the main methods used to identify potential problems with credit customers meeting their payment obligations.[K]

b) Describe ways in which credit customers could be encouraged to pay promptly including effects of offering discounts.[S]

c) Describe the main techniques and methods that may be used to assist in the collection of overdue debts.[S]

d) Identify debt recovery methods appropriate to individual customers.[S]

e) Explain procedures for writing off debts (double entry recording is excluded).[K]

f) Describe how factoring works and the main types of service provided by factors.[S]

g) Define invoice discounting and outline how this form of factoring works.[S]

h) Calculate the cost of factoring arrangements, invoice discounting and changes in credit policy.[S]

G Employability and technology

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7. Summary of changes to Foundations in Financial Management (FFM)

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

There have been no additions, deletions or amendments to the FFM syllabus and study guide.

8. Approach to examining the syllabus

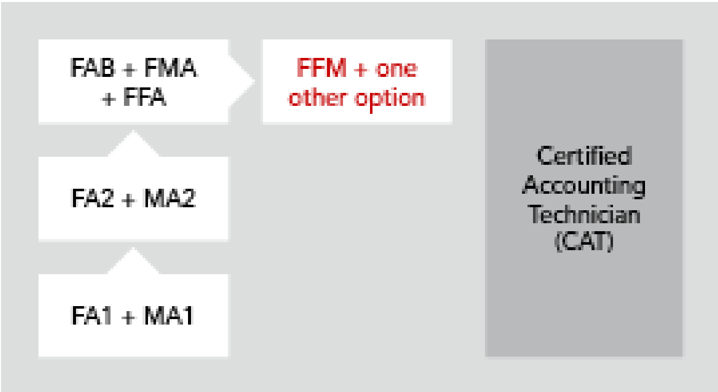
The syllabus is assessed by a two-hour computer-based examination. Questions will assess all parts of the syllabus and will include both computational and non-computational elements.

The examination will consist of two sections structured as follows:

	Marks
Section A	
Fifteen compulsory multiple-choice questions each worth 2 marks	30
Section B	
Seven compulsory questions	
Q1 (20 marks)	20
Q2, 3, 4 and 5 (5 marks each)	20
Q6 and 7 (15 marks each)	30
Total	**100**

9. Relational diagram linking Foundations in Financial Management (FFM) with other exams

The CAT syllabus is designed at three discrete levels. To be awarded the CAT qualification students must either pass or be exempted from all nine examinations including two specialist options exams. Exemptions based on relevant work experience can be claimed from up to the first four FIA exams.



10. Guide to ACCA examination structure and delivery mode

The structure of examinations varies.

The Foundations in Accountancy (FIA) examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

All FIA examinations are assessed by two-hour computer-based examinations.

The pass mark for all FIA examinations is 50%.

11. Guide to ACCA 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 specified financial accounting, audit and tax examinations, 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 this examination, regulation issued or legislation passed on or before 31 August annually, will be assessed from 1 September of the following year to 31 August of the year after. Please refer to the examinable documents for the exam (where relevant) for further information.

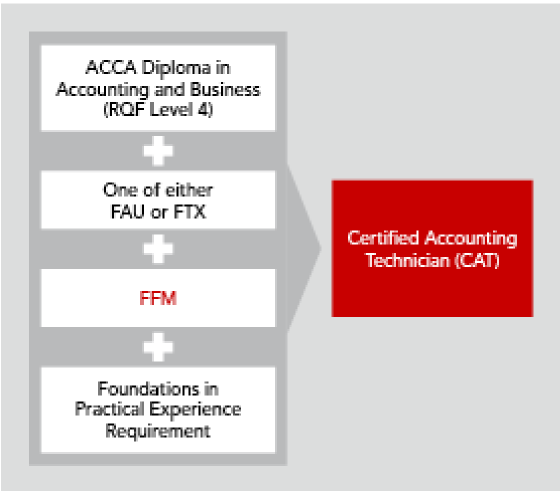
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the effective date is in the future. The terms 'issued' or 'passed' relate to when regulation or legislation has been formally approved.

The term 'effective' relates to when regulation or legislation must be applied to 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.

12. Qualification structure

The Certified Accounting Technician (CAT) Qualification consists of nine exams which include seven of the FIA examinations, at all three levels, plus two examinations from three of the specialist options exams. The CAT qualification also requires the completion of the Foundations in Professionalism (FiP) module and 12 months relevant work experience, including the demonstration of 10 work-based competence areas. Exemptions can be claimed from a maximum of the first four FIA exams for relevant work experience.



13. Learning hours and education recognition

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 recognised and valued by governments and regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the educational frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.

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