Module 38: Advanced Financial Management

<table>
<thead>
<tr>
<th>Stage</th>
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<tbody>
<tr>
<td>Semester</td>
<td>2</td>
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<tr>
<td>Module Title</td>
<td>Advanced Financial Management</td>
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<tr>
<td>Module Number</td>
<td>387</td>
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<tr>
<td>Module Status</td>
<td>Elective</td>
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<td>Module NFQ level</td>
<td>8</td>
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<tr>
<td>Pre-Requisite Module Titles</td>
<td>Financial Management</td>
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<td>Co-Requisite Module Titles</td>
<td>N/A</td>
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<td>Capstone Module?</td>
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List of Module Teaching Personnel

<table>
<thead>
<tr>
<th>Contact Hours</th>
<th>Non-contact Hours</th>
<th>Total Effort (hours)</th>
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<tbody>
<tr>
<td>46</td>
<td>54</td>
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Allocation of Marks (Within the Module)

<table>
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<tr>
<th>Continuous Assessment</th>
<th>Project</th>
<th>Practical</th>
<th>Final Examination</th>
<th>Total</th>
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<tr>
<td>Percentage Contribution</td>
<td>20</td>
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Intended Module Learning Outcomes

On successful completion of this module, the learner will be able to:

1. Critically evaluate the impact of financial decisions on the strategic direction of the organisation
2. Identify and evaluate the exposure of a company to financial risk and the techniques required to manage this risk
3. Explain alternative sources of finance and investment opportunities and their suitability in particular circumstances
4. Evaluate complex investment appraisal situations and appreciate the importance of the cost of capital to the organisation and how the capital structure chosen will impact upon this
5. Analyse the key strategic financial issues that must be considered in an acquisition or merger, including valuation of the target company
6. Analyse a company’s performance and make appropriate recommendations.
Module Objectives

This module follows on directly from *Financial Management* covered earlier in the programme. The elements outlined in the module curriculum of *Financial Management* will also be addressed as part of this module.

The objectives are to:

- Further explore the principles outlined in *Financial Management*
- Introduce topics appropriate to the strategic aspects of finance including the impact of risk on the organisation and the various techniques to manage same; calculation of the cost of capital; corporate reorganisation; corporate governance and the global financial environment.
- Provide the learner with the skills to evaluate complex investment situations

Module Curriculum

Objectives of Financial Management

- The relationship between Financial Management and Financial and Management Accounting
- Identify and describe the financial objectives of organisations
- Identify the various stakeholders and their objectives
- Examine Agency Theory and the ways to achieve shareholder objectives
- Financial objectives in Not-For-Profit organisations

Advanced Investment Appraisal

- Advanced capital investment decisions.
- Impact of inflation and taxation in investment appraisal process
- Risk and uncertainty in investment appraisal including sensitivity analysis, use of a risk adjusted discount factor, simulation, probability analysis and scenario analysis.
- Specific investment decisions (lease or buy decisions; asset replacement, single period capital rationing)

Cost of Capital and Capital Structure

- Calculation of the cost of various sources of finance
- Calculation of the Weighted Average Cost of Capital (WACC)
- Use of Dividend Valuation Model and Capital Asset Pricing Model (CAPM)
- Understand the various theories regarding the optimal capital structure

Business Valuations

- Rationale for mergers and acquisitions
- Methods of financing an acquisition including cash, debt and share for share exchanges.
- Defence tactics against a hostile takeover.
- Regulatory aspects of mergers and acquisitions.
- Models for the valuation of companies (asset based, income based and cash flow based models).
- Efficient Market Hypothesis (EMH) and the practical considerations in the valuation of shares
Risk Management

- Nature, types of risk and approaches to risk management
- Hedging techniques for foreign currency risk including:
  - currency of invoice
  - netting and matching
  - leading and lagging
  - forward exchange contracts
  - foreign currency options
  - money market hedging
  - asset and liability management

Hedging techniques for interest rate risk including:

- matching and smoothing
- asset and liability management
- forward rate agreements

Performance Appraisal

- Analysis of the performance of an organisation
- Understand the key ratios (profitability, liquidity, efficiency, gearing and investor) which are used in the evaluation of a company’s performance
- Interpret the results and make recommendations for improvement

Reading lists and other learning materials


Useful websites:
www.ft.com - Financial Times
www.wsj.com - The Wall Street Journal Online
www.investmentinternational.com - Investment International

Module Learning Environment

The module will be taught in a traditional classroom setting for lectures and tutorials. At commencement of the course learners are provided with a detailed course manual and a learner handbook, incorporating the module descriptor, learning outcomes and assignment briefs.

Module Teaching and Learning Strategy

The module is delivered by means of formal and participative lectures supported by the use of case studies, reflecting the importance of finance in practical situations. Tutorials are also used to discuss financial management topics in greater depth and past examination papers with suggested solutions are introduced. Learners are expected to undertake significant reading and preparation before classes.
Module Assessment Strategy

Class work and directed assignments are allocated on a regular basis. Learners are required to complete the necessary assignments throughout the module. Learners are advised how to approach the assignments both in terms of the research and the presentation involved.

Assignments account for 20% of the module marks. The remaining 80% is reserved for a closed book examination on module completion.