

UNIVERSITY OF WALES: TRINITY SAINT DAVID
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School of Business
Ysgol Busnes

Financial Management

SBMA7100

Semesters 1 and 2

February 2013

SBMA7100 Financial Management

Module Introduction/Information

The role of the manager in the modern business environment demands a grasp of complex financial tools that are available. These are of primary importance in contributing to the success of an organisation's strategy.

This module attempts to explain to students how accounting is used by non-financial managers. The emphasis is on the interpretation, rather than the construction, of financial information. Users of financial information need to recognise the assumptions behind, and the limitations of, particular accounting techniques especially those relating to planning, decision and control. Students are encouraged to consider the financial impact of any management decisions that may need to be made.

Teaching sessions attempt to be interactive and will involve case study analysis, scenario building and discussions. This will facilitate the development of analytical, evaluation, communication, team and leadership skills through self-directed, discovery and peer assisted learning.

Assessment will be via one 4,000 word assignment

Weekly Lecture Schedule

Semester 1

Week 1	Introductory lecture
Week 2	An introduction to accounting
Week 3	Accounting and its relationship to shareholder value and corporate governance
Week 4	Recording financial transactions and the principles of accounting
Week 5	Management control, accounting and its rational-economic assumptions
Week 6	Interpretive and critical perspectives on accounting and decision making
Week 7	Constructing financial statements: IFRS and the framework of accounting
Week 8	Interpreting financial statements
Week 9	Accounting for inventory
Week 10	Using accounting information for decision making, planning and control
Week 11	Revision

Semester 2

Week 12	Marketing decisions
Week 13	Operating decisions
Week 14	Human resources decisions
Week 15	Overhead allocation decisions
Week 16	Strategic investment decisions
Week 17	Performance evaluation of business units
Week 18	Budgeting
Week 19	Budgetary control
Week 20	Strategic Management Accounting
Week 21	Revision

Recommended Reading and Resources

Essential

Atrill, P. & McLaney, E. (2008), *Accounting and Finance for Non-Specialists*, 6th Ed.: FT Prentice Hall.
Collier, Paul M. (2012), *Accounting for Managers*, 4th Ed., Chichester: Wiley.

Recommended

Arnold, G (2005), *Corporate Financial Management*, 3rd Ed.: FT Prentice Hall.
Atrill, P. (2009), *Financial Management for Decision Makers*, 5th Ed, FT Prentice Hall

Background

Drury, C. (2008), *Management and Cost Accounting*, 7th Ed., South Western Cengage Learning
McLaney, E.I. (2006), *Business Finance Theory and Practice*, 7th Ed.: FT Prentice Hall
Neale, B. & McElroy, T. (2004), *Business Finance - A Value Based Approach*, 1st Ed.: FT Prentice Hall

Journals:

Accounting
Accounting Age
Accounting and Business
Accounting and Business Research
Harvard Business Review
Financial Management
The British Accounting Review
International Financial Management and Accounting
Accounting and Finance
Business Finance and Accounting

Useful Websites

www.bized.co.uk
www.ftmanagement.com
www.ft.com
www.hescott.com
www.accaglobal.com
www.cimaglobal.com
www.fma.org
www.baa.group.shef.ac.uk

SBMA7100 Financial Management

ASSESSMENT

One assignment worth 100%.

ASSIGNMENT

Answer both parts.

Part A

Select two companies from FTSE 250 Index. Download their most recent annual reports covering their financial statements for the past 2 years.

1. Using the information presented in the financial statements, calculate profitability, liquidity, gearing and efficiency ratios of each company for the past 2 years.
(15%)
2. Critically evaluate the ratios calculated in (1) by comparing and contrasting the results. In your analysis, you should consider
 - possible reasons for differences in the performance of the companies
 - limitations of ratio analysis
 (15%)
3. Using the results from (1) and your analysis from (2), identify the issues in the financial management of the companies and make recommendations to the directors of both companies on how to improve the financial position of the companies.
(20%)

(Approximate length 2,000 words)

Part B

In your first year as a Graduate Financial Analyst at XYZ Plc, you were asked to evaluate a strategic investment project which, if successfully undertaken, will increase the value of the company.

The relevant data for the project:

Initial outlay	(£1,200)
Year 1	£200
Year 2	£250
Year 3	£471
Year 4	£456
Year 5	£147
Scrap value	£100

The company has been using straight line method to calculate annual depreciation for its fixed assets.

Existing and potential investors would like to have a rate of return of 10% per annum on capital investments. The Directors of the company usually look for a payback period of 4 years on projects of this type. Also, you should use the Return on Investment (ROI) ratio of the company for the most recent year calculated in Task A as a benchmark where appropriate.

Required

1. Use any 3 investment appraisal methods to assess the viability of the project. (15%)
2. Write a report to the Directors explaining whether the company should undertake the project or look for other opportunities (5%)
 In your report you should
 - Select any other relevant considerations and financial information that could be useful in decision making; (15%)
 - Comment on the advantages and disadvantages of the investment appraisal methods citing relevant literature; (10%)
 - Explain which appraisal methods are widely used in the industry by referencing published journal articles. (5%)

(Approximate length 2,000 words)

Note: Part A and B must be submitted as one document. All workings must be shown in the appendix of the report. If workings are not shown fully, the mark for Requirement 1 will be halved in both parts.

ASSESSMENT CRITERIA

Module Aim

This module is designed to provide students with an in-depth study of financial techniques and processes which enable management to evaluate and make strategic decisions in the context of competitive international environments.

Learning Outcomes

Upon the successful completion of this module the student should be able to demonstrate the ability to:

1. Research, apply and evaluate a variety of financial assessment techniques for application to a case study.
2. Research, evaluate and critically discuss various issues and theoretical frameworks used in the management and control of financial resources.

Assignment Assessment Criteria

Assessment Criteria	Learning Outcome(s)	% of Marks
Part A		

Analyse, interpret and critically assess the financial position of a business, incorporating conclusions, recommendations and advice to managers/directors.	1	50%
Part B		
Apply, evaluate and critically discuss a variety of techniques used in the provision of managerial and financial information.	2	50%

Assignment Marking Guide

Throughout this module, it is **essential** that the differences between cash and profit are fully understood. Students should attempt not only to calculate certain accounting ratios but also to choose which ratios are relevant in a given situation. It is important to show understanding of the differences between ratios that analyse profitability and those that analyse solvency and liquidity, together with an appreciation of the need for, and the control of, working capital.