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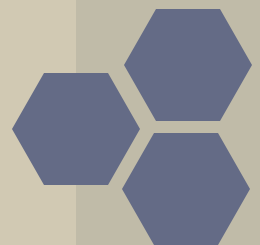


## ACCA F9

**Financial Management (FM)**

**财务管理**

**ACCA Lecturer: Sinny Shao**





# F9 Chapter 1 Contents

1

**Brief introduction to financial management**

2

**Financial management & financial objectives**



# Introduction: Format of the Exam

1. Three hours exams

2. Part A 20 multiple choice question

—————2 marks each

3. Part B:

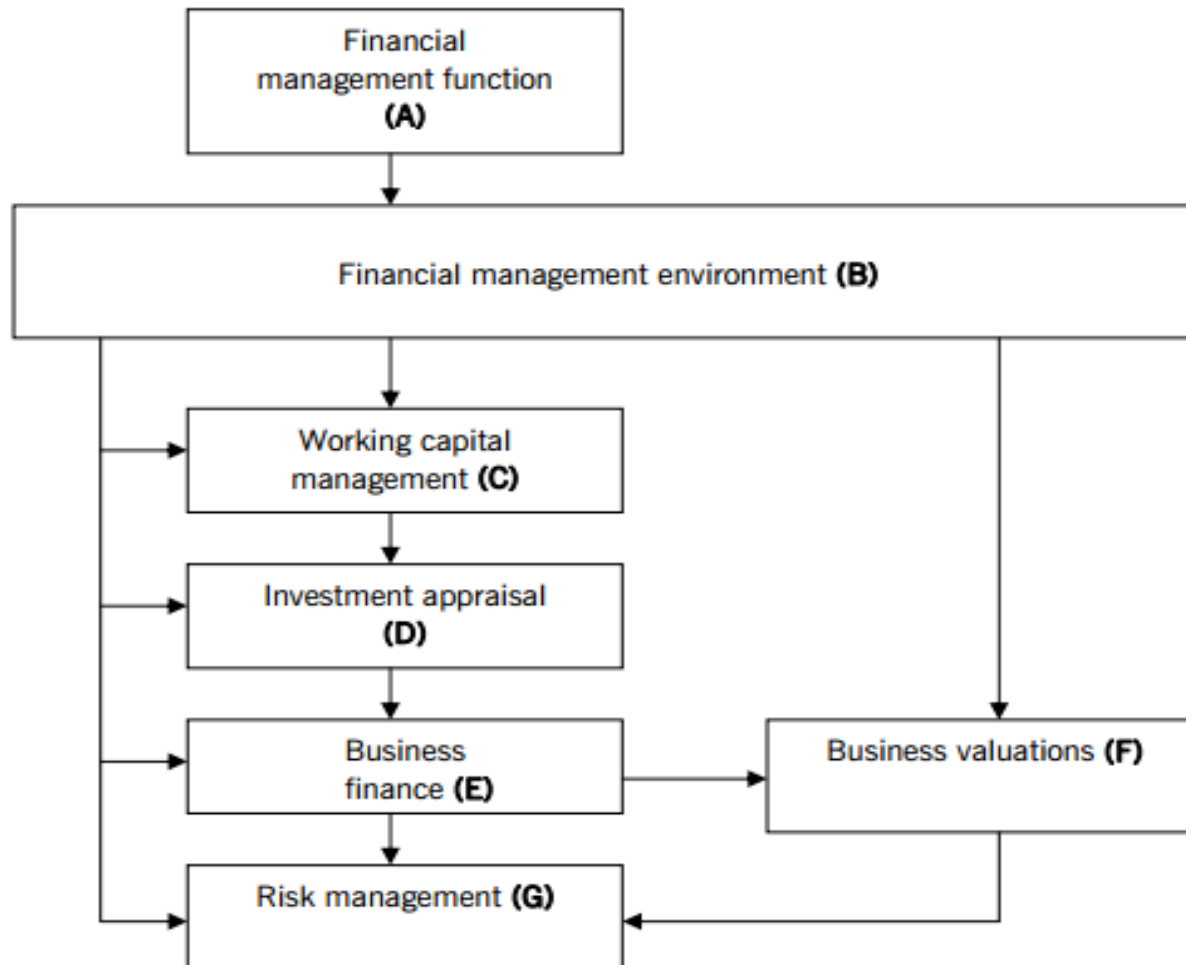
Question 1, 10 marks for all books

Question 2 & 3, 15 marks each, based on part C/D/E in syllabus



# Introduction: Diagram Illustration

## RELATIONAL DIAGRAM OF MAIN CAPABILITIES





# Introduction: Balance Sheet Breakup

	£	£	
Fixed Assets (net)		X	INVESTMENT APPRAISAL
Current Assets	X		
<u>less</u> Current Liabilities	<u>(X)</u>		WORKING CAPITAL MANAGEMENT
Net Current Assets		X	
<u>less</u> Long-term Liabilities ( <i>debt</i> )		<u>(X)</u>	LONG-TERM FINANCING
Net Assets		<u>X</u>	
Capital ( <i>shares or equity</i> )		<u>X</u>	



## What is financial management?

Financial management can be defined as the management of the finances of an organisation in order to achieve the financial objectives of the organisation. The usual assumption in financial management for the private sector is that the **objective of the company is to maximise shareholders' wealth.**

Financial management decisions cover investment decisions (part D), financing decisions (part E), dividend decisions and risk management (part G).



# Difference Btw. Financial & Mgt. Accounting

Financial accounts	Management accounts
Financial accounts <b>detail the performance of an organisation over a defined period and the state of affairs at the end of that period.</b>	Management accounts are <b>used to aid management to record, plan and control activities and to help the decision-making process.</b>
Limited companies must, <b>by law</b> , prepare financial accounts.	There is <b>no legal requirement</b> to prepare management accounts.
The <b>format</b> of published financial accounts is determined by <b>law</b> and by <b>accounting standards</b> . In principle the accounts of different organisations can therefore be easily compared.	The <b>format</b> of management accounts is entirely at management discretion: <b>no strict rules</b> govern the way they are prepared or presented.
Financial accounts <b>concentrate on the business as a whole</b> , aggregating revenues and costs from different operations, and are an end in themselves.	Management accounts can <b>focus on specific areas</b> of an organisation's activities. Information may aid a decision rather than be an end product of a decision.
Most financial accounting information is of a <b>monetary</b> nature.	Management accounts incorporate <b>non-monetary</b> measures.
Financial accounts present an essentially <b>historic</b> picture of <b>past</b> operations.	Management accounts are both a <b>historical</b> record and a <b>future</b> planning tool.



# Financial objectives

## 1. Shareholder wealth maximisation

- 股东获利的组成部分：dividends & capital gain
- 企业更加倾向于保留资金进行再投资以获取更多利润，股东希望能够拿到分红——trade off
- total return =  $( P_1 - P_0 + D ) / P_0$ 
  - ◆  $P_1$  minus  $P_0$  为资本利得 ( capital gain )
  - ◆  $P_0$  为购买价格
  - ◆  $D$  为股利分红





# Financial objectives

## 2. Profit maximisation

## 3. The growth of EPS

- Earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares.
- Relevant items for EPS : profit & number of ordinary shares

## 4. Other financial targets

- Risk——financial gearing, operating profitability, etc
- Examples P12



# Non-Financial Objectives

- ✓ The welfare of employees
- ✓ The welfare of management
- ✓ The provision of a service
- ✓ The fulfilment of responsibilities towards customers
- ✓ The fulfilment of responsibilities towards suppliers
- ✓ The welfare of society as a whole



# Stakeholders

1. Stakeholder mapping (will study in P1 and P3)
2. Stakeholder group
  - Internal, external, and connected 要会举例
3. Agency theory
  - Agency relationship means the relationship between management and shareholders expressing the idea that managers act as agents for the shareholder, using delegated powers to run the company in the shareholders' best interests.



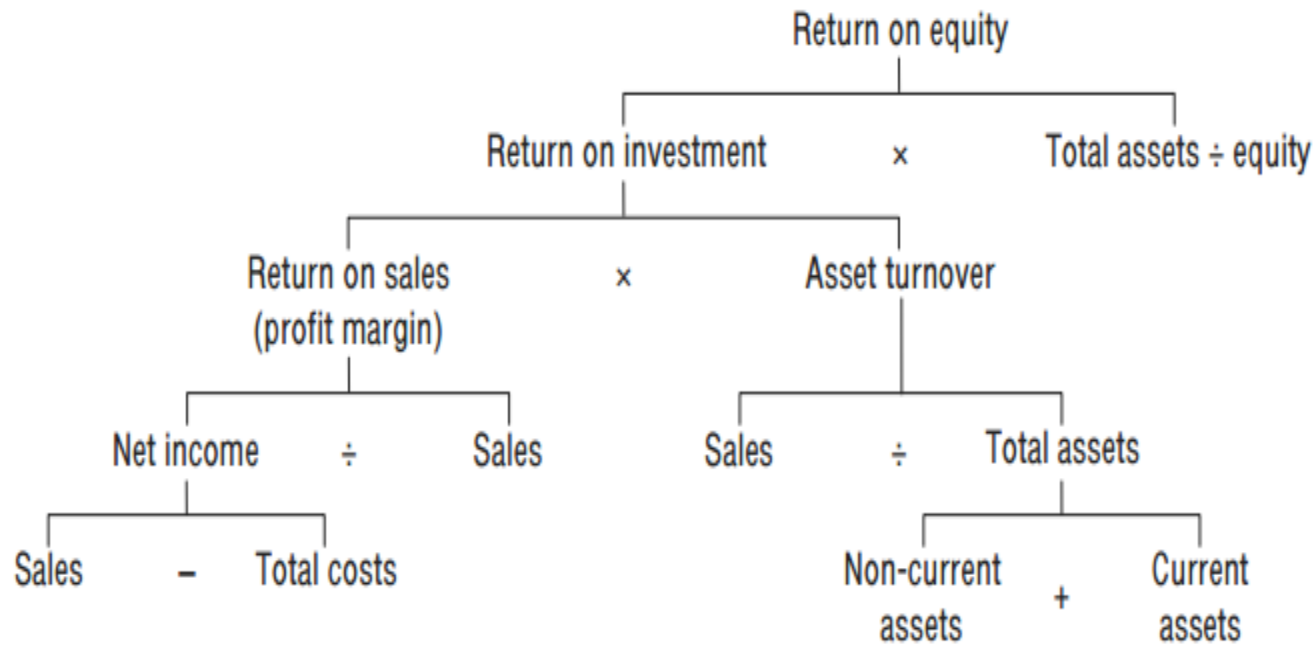
# Stakeholders

- 引起 agency problem 的原因主要是：  
the separation of ownership and management
- 如何解决？
  - 1 ) Managerial reward schemes——目标一致性 ( goal congruence )
  - 2 ) performance related pay
  - 3 ) Rewarding managers with shares
  - 4 ) Executive share options plans (ESOPs)
- benefits & drawbacks
- corporate governance : reading by yourself



# Performance Measurement

## Du Pont analysis





# Performance Measurement

Profitability analysis:

Gross / Net Profit Margin

ROCE (Return on Capital Employed)

$$\text{Return on capital employed} = \frac{\text{PBIT}}{\text{Capital employed}}$$

**Capital employed** = Shareholders' funds *plus* long-term liabilities  
= Total assets less current liabilities.

Gearing ratios——evaluating the business risk of the company



# Performance Measurement

Shareholders' investment ratios:

1) dividend yield ratios

$$\text{Dividend yield} = \frac{\text{Dividend per share}}{\text{Ex-div market price per share}}$$

2) EPS

$$\text{Earnings per share} = \frac{\text{Profit distributable to ordinary shareholders}}{\text{Weighted average number of ordinary shares}}$$

$$\text{Price earnings ratio} = \frac{\text{Market price of share}}{\text{EPS}}$$

3) P/E ratio

Not-for-profit organization:

Value for money——3E: efficiency, effectiveness, and economy



# Thank You!