



ACCA

Financial Management (FM)

Pocket Notes

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The financial management function

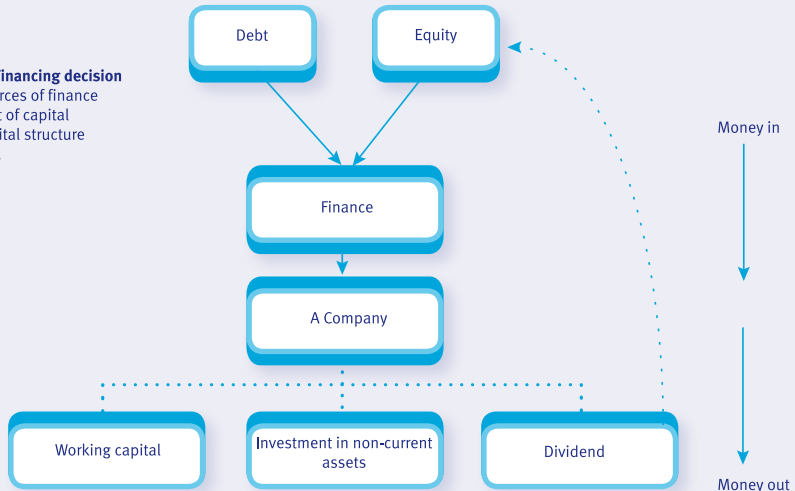
In this chapter

- The financial management function.
- Corporate strategy and corporate and financial objectives.
- Company objectives.
- Corporate stakeholders.
- Agency theory.
- Corporate governance.
- Measuring achievement of corporate objectives.
- Setting objectives in NFPs.
- Financial objectives.
- VFM.
- System analysis.

The financial management function

The Financing decision

- Sources of finance
- Cost of capital
- Capital structure
- Risk



The Investment decision

- Investment appraisal
- Working capital management
- Risk

The Dividend decision

- Business valuation
- Efficient markets

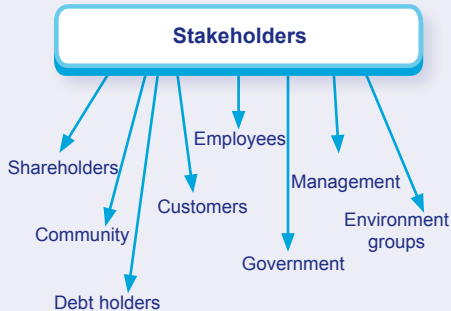
Corporate strategy and corporate and financial objectives



Corporate stakeholders

Definition

A stakeholder group is one with a vested interest in the company.



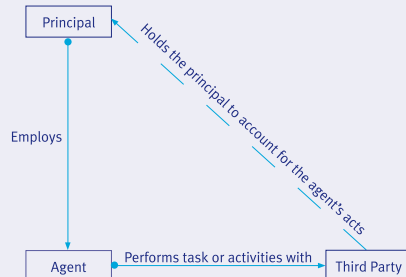
Stakeholders can be classed as internal, connected or external.



Key Point

A stakeholder group is one with a vested interest in the company.

The company will thus have multiple objectives, often in conflict, and must seek to satisfy these through prioritisation and compromise.



Financial objectives

Services provided are limited by the funds available.

Key objectives for not-for-profit organisations:

- raise as large a sum as possible
- spend funds as effectively as possible.

Targets are set per period.

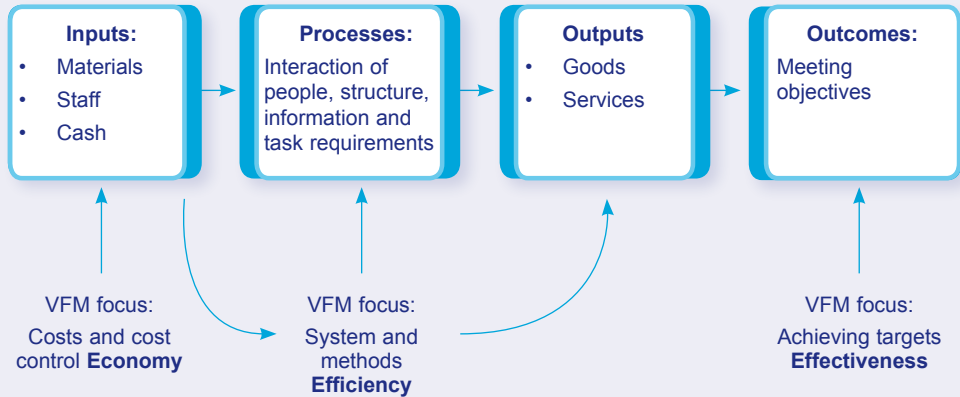
- Total to be raised in grants and voluntary income.
- Maximum permitted administration costs.
- Meeting budgets.
- Breaking-even in the long run.
- Other measures: waiting time, successful outcomes etc.
- Maximum percentage of this total that fund-raising expenses represents.
- Amounts to be spent on specified projects or in particular areas.

Actuals compared to targets.

Control action taken if necessary.

System analysis

Systems analysis and performance measurement can be used in assessing VFM.





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