

ICSA International Qualifying Scheme (IQS): Professional Part 2

CORPORATE FINANCIAL MANAGEMENT

SYLLABUS

AIM

The aim of this module is to address the need for the Chartered Secretary to be knowledgeable and competent in the skills of corporate financial planning, and in understanding the impact of the fiscal environment on the organisation and its decision making.

LEARNING OUTCOME

At the conclusion of this module, the candidate will be able to:

- Understand the financial sources and requirements of the employing or client organization.
- Understand the role and efficiency of the capital markets.
- Understand the nature and importance of capital structure and the cost of capital.
- Understand and apply the principles of working capital management.
- Understand the impact of global and multi-national operations on corporate financial management.

PRE-REQUISITE LEARNING

Evidence of assessed pre-requisite knowledge and understanding in the following disciplines must be demonstrated through the Institute's examinations, or those of equivalent qualifications which have been approved as meeting the Institute's required curriculum and standards:

- Financial Accounting
- Management Accounting
- Corporate Law
- Management Practice

LEARNING CONTENTS

Financial Objectives and Requirements

The financial objectives of the main types of organisation: public and private limited companies, statutory companies, trusts, and companies limited by guarantee. Determination of financial requirements and their impact on business planning and decision taking. The role of financial audit.

Sources of Finance

Financial markets: role of the New Issues Market and Stock Exchange, including the Alternative Investment Market. The operating institutions on the markets. Influence of Markets on market decisions. State funding, corporate donations, sponsorship, grants, subscriptions, fund raising sources.

Share and Loan Capital

The raising and maintenance of share capital: issue pricing and methods. Authorised and issued capital. Dividend policy, including scrip dividends and share re-purchases. Finance and loan capital.

Domestic and international sources. The nature of debt. Corporate debentures and debenture stock, convertibles, warrants. Bank loans and overdrafts. Retention and self-generated finance.

Capital Structure, the Cost of Capital

Costs of individual types of finance. Weighted average cost of capital. Portfolio theory and the Capital Asset Pricing Model. The cost of capital. Capital gearing. Capital structure theory and decisions.

Working Capital Management

Working capital and its importance. Planning and control of cash and marketable securities, debtors, current liabilities and stock. Future expansion and contraction.

Capital Investment Appraisal

Payback. Net Present Value, Internal Rate of Return and their comparison. Implications of taxation and inflation. Capital rationing. Capital budgeting under uncertainty. Lease or buy decisions.

Business Restructuring

Business expansion and financial growth. Sources of expansion and contraction. Restructuring strategies: bids, acquisitions and mergers, capital reconstructions. Divestment: sell-offs, spin-offs, management buyouts. Business failure, prediction and rescue packages.

International Aspects

Multi-national operations. Managing exchange risk. The foreign investment decision. Financing overseas investment.

RECOMMENDED READING

1. **MAICSA Study Manual** – Corporate Financial Management
2. *Modern Financial Management* by **Stephen A. Ross, Randolph W. Westerfield, Jaffrey Jaffe & Bradford D. Jordan**; 8th Edition, McGraw-Hill; 2008
3. *Principles of Managerial Finance* by **Lawrence J. Gitman**; 11th Edition, Pearson Publishing
4. *Corporate Finance: Theory & Practice* by **Aswath Damodaran**; Wiley Publishing
5. *Capital Investment & Valuation* by **Brealey & Myers**; McGraw-Hill
6. *International Financial Management* by **Jeff Madura**; Thompson South-Western
7. *Fundamental of Corporate Finance and Investment* by **Richard A Brealey, Stewart C Myers, Alan J Marcus**, 5th ed. 2007, Mc Graw Hill
8. *Corporate Finance and Investment* by **Richard Pike, Bill Neale, Kevin Boakes**, 5th ed 2006 FT – Prentice Hall

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ADDITIONAL READING

1. *Investor's guide to Analyzing Companies & Valuing Shares* by **Michael Cahill**; **Financial Times-Prentice Hall**; 2003
2. *Banking & Financial Services Certificate (BFSC) Study Manual; Operations* by **Jee Tzin Kit & K. Loghandran**
3. *Intermediate Financial Management* by **Eugene F. Brigham & Philip R. Daves**; Thompson South-Western 8th Edition
4. *Financial Management and Real Options* by **Jack Broyles**; Wiley; 2003
5. *Emerging Financial Markets* by **David O. Biem & Charles W. Calomiris**; Mc Graw-Hill International Edition; 2001
6. *Corporate Financial Investment* by **Richard Pike & Bill Neale**; Prentice Hall; 4th Edition
7. *Business Finance-Value-Based Approach* by **Bill Neale & Trefor McElroy**; Prentice Hall; 2004
8. *Corporate Financial Management* by **Michael Potton**; ICSA International
9. *The Central Bank & The Financial System In Malaysia "A Decade of Change 1989-1999"* by **Bank Negara Malaysia**
10. Various websites of government agencies
11. Related articles from local and international newspapers, magazines, periodicals and academic publications.

FURTHER READING

1. **Arnold, G.C. (1998)**, *Corporate Financial Management*, Financial Times Pitman: London.
2. **Valdez, S. (2nd edn 1997)**, *An Introduction to Global Financial Markets*, Macmillan: London
3. **Weston, J.F. and Brigham, E.T. (1990)**, *Essentials of Managerial Finance*, Dryden: London

Manuals & Guides

1. Securities Commission Examination Study Guide – Investment Management & Corporate Finance (Module 12)
2. Reports from Bursa Saham Malaysia, Bank Negara Malaysia & Securities Commission
3. Articles by HSBC Amanah & Citibank

Journals

1. Global Finance Journal
2. Journal of Corporate Finance
3. International Review of Finance