

Advanced Level Modules

Corporate Reporting – 100 Marks

Module aim

To enable candidates to apply technical knowledge, analytical techniques and professional skills to resolve financial reporting issues that arise in the context of the preparation and evaluation of corporate reports and from providing audit services.

Candidates will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternatives. The commercial context and impact of recommendations and ethical issues will also need to be considered in making such judgements.

On completion of this module, candidates will be able, for complex transactions and complex scenarios, for single entities and groups of varying sizes and in a variety of industries (including banks and other financial institutions (finance companies, mutual funds, merchant bankers), insurance companies, stock brokers and electricity companies), to:

Corporate Reporting - Compliance

- L01: Select appropriate corporate reporting policies.
- L02: Apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact to prepare financial statements.

Corporate Reporting – Financial statement analysis

- L03: Analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.
- L04: Evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards.

Audit and Assurance

- L05: Explain the processes involved in planning and audit, evaluating internal controls, appraising risk including analyzing quantitative and qualitative data and using data analytics, gathering evidence and drawing conclusions in accordance with the terms of the engagement

Safeguard against ethical threats

- L06: Identify and explain ethical issues.
- L07: Recommend, justify and determine appropriate actions and safeguards to mitigate ethical threats.

Prior Knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module and in the Audit and Assurance module.

Background knowledge based upon the strategic elements of the Business Strategy and Financial Management modules will also be required in evaluating the business and financial risks of reporting entities.

Regulation

The regulations relating to auditing and corporate reporting will have international application and are therefore based upon standards and other regulations issued by the International Accounting Standards Board.

Ethics

Ethical codes will be those issued by IFAC. The ethical implications will be at both the organizational level and for individuals.

Method of assessment

Corporate Reporting will be examined using a paper-based assessment of 3 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics.

Ethical issues and problems could appear in any of the questions.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, but slight variations may occur in individual papers to enable suitably rigorous questions to be set.

Syllabus area	Weighting (indicative %)
Corporate Reporting - Compliance Corporate Reporting – Financial statement analysis	55-65
Audit and Assurance	30-40
Ethics	5-10
	<u>100</u>

Corporate Reporting – Compliance: L01, L02

Students will be able to formulate, implement and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Students will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.

In the assessment, candidates may be required to:

1 Principles

- a. explain the impact of accounting principles and bases on measurement in corporate reporting, for example fair value measurement;
- b. appraise corporate reporting regulations, and related legal requirements, with respect to presentation, disclosure, recognition and measurement;
- c. explain and appraise accounting standards that relate to the impact of changes in accounting policies and estimates;
- d. explain and evaluate the impact of underlying assumptions on financial statements; and
- e. identify and explain current and emerging issues in corporate reporting.

2 Reporting performance

- a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial performance;
- b. explain and appraise accounting standards that relate to reporting performance: in respect of presentation of financial statements; revenue; operating segments; continuing and discontinued operations; EPS; construction contracts; interim reporting;

- c. select and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries; and
- d. calculate and disclose, from financial and other data, the amounts to be included in an entity's financial statements according to legal requirements, applicable financial reporting standards and accounting and reporting policies.

3 Assets and non-financial liabilities

- a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial position; and
- b. explain and appraise accounting standards that relate to assets and non-financial liabilities for example: property, plant and equipment; intangible assets, held-for-sales assets; inventories; investment properties; provisions and contingencies.

4 Financing

- a. determine and calculate how different bases for recognising, measuring and classifying financial assets and financial liabilities can impact upon reported performance and position;
- b. appraise and evaluate cash flow measures and disclosures in single entities and groups;
- c. evaluate the impact of accounting policies and choice in respect of financing decisions for example hedge accounting and fair values; and
- d. explain and appraise accounting standards that relate to an entity's financing activities which include: financial instruments; leasing; cash flows; borrowing costs; and government grants.

5 Employee remuneration

- a. explain how different methods of providing remuneration for employees may impact upon reported performance and position; and
- b. explain and appraise accounting standards that relate to employee remuneration which include different forms of short-term and long-term employee compensation; retirement benefits; and share-based payment.

6 Groups

- a. identify and show the criteria used to determine whether and how different types of investment are recognised and measured as business combinations; and
- b. calculate and disclose, from financial and other data, the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinued interests (which include situations when acquisitions occur in stages and in partial disposals) in subsidiaries, associates and joint ventures.

7 Reporting overseas activities

- a. determine and calculate how exchange rate variations are recognised and measured and how they can impact on reported performance, position and cash flows of single entities and groups; and
- b. demonstrate, explain and appraise how foreign exchange transactions are measured and how the financial statements of overseas entities are translated.

8 Taxation

- a. explain, determine and calculate how current and deferred tax is recognised and appraise accounting standards that relate to current tax and deferred tax.

Corporate Reporting –Financial Statement Analysis: L03, L04

Candidates will be able to analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.

In the assessment, candidates may be required to:

9 Financial statement analysis

- a. comment on and critically appraise the nature and validity of items included in published financial statements;
- b. comment on and critically appraise the nature and validity of information disclosed in annual reports, including voluntary disclosures;
- c. appraise the limitations of financial analysis;
- d. analyse and evaluate the performance, position, liquidity, efficiency and solvency of an entity through the use of ratios and similar forms of analysis;
- e. interpret the potentially complex economic environment in which an entity operates and its strategy based upon financial and operational information contained within the annual report (for example: financial and business reviews, reports on operations by management, corporate governance disclosures, financial summaries and highlights);
- f. appraise the significance of inconsistencies and omissions in reported information in evaluating performance;
- g. compare the performance and position of different entities allowing for inconsistencies in the recognition and measurement criteria in the financial statement information provided;
- h. make adjustments to reported earnings in order to determine underlying earnings and compare the performance of an entity over time;
- i. analyse and evaluate business risks and assess their implications for corporate reporting;
- j. analyse and evaluate financial risks (for example financing, currency and interest rate risks) and assess their implications for corporate reporting; and
- k. compare and appraise the significance of accruals basis and cash flow reporting.

Audit and Assurance: L05

Students will be able to explain the processes involved in planning an audit, evaluating internal controls, appraising risk, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.

In the assessment, students may be required to:

10 Professional practice

- a. appraise and explain the role and context of auditing;
- b. explain the nature and purpose of quality assurance (both at the level of the firm and the individual audit) and assess how it can contribute to risk management; and
- c. evaluate and explain current and emerging issues in auditing.

11 Planning

- a. identify the components of risk and how these components may interrelate;
- b. appraise the entity and the, potentially complex, economic environment within which it operates as a means of identifying and evaluating the risk of material misstatement;
- c. identify the risks arising from, or affecting, a potentially complex set of business processes and circumstances and assess their implications for the engagement;
- d. identify significant business risks and assess their potential impact upon the financial statements and the audit engagement;
- e. evaluate the impact of risk and materiality in preparing the audit plan, for example the nature, timing and extent of audit procedures;
- f. determine analytical procedures, where appropriate, at the planning stage using technical knowledge of corporate reporting and skills of financial statement analysis;
- g. evaluate the components of audit risk for a specified scenario, for example the interactions of inherent risk, control risk and detection risk, considering their complementary and compensatory nature;
- h. show professional skepticism in assessing the risk of material misstatement, having regard to the reliability of management;
- i. evaluate, where appropriate, the extent to which reliance can be placed on expertise from other parties to support audit processes; and
- j. prepare, based upon planning procedures, an appropriate audit strategy and detailed audit plan or extracts therefrom.

12 Internal control systems

- a. analyse and evaluate the control environment for an entity based on an understanding of the entity, its operations and its processes;
- b. evaluate an entity's processes for identifying, assessing and responding to business and operating risks as they impact on the financial statements;
- c. appraise an entity's accounting information systems and related business processes relevant to corporate reporting and communication;
- d. analyse and evaluate strengths and weaknesses of preventative and detective control mechanisms and processes, highlighting control weaknesses; including risks related to cyber security
- e. evaluate controls relating to information technology and e-commerce, including controls associated with cyber security;
- f. explain and appraise the entity's system for monitoring and modifying internal control systems; and
- g. devise, explain and evaluate tests of controls.

13 Corporate governance

- a. describe and explain the nature and consequences of corporate governance and accountability mechanisms in controlling the operating and financial activities of entities of differing sizes, structures and industries;
- b. explain the rights and responsibilities of the board, board committees (eg., audit and risk committees), those charged with governance and individual executive and non-executive directors, with respect to the preparation and audit of financial statements;

- c. describe and explain the rights and responsibilities of stakeholder groups (eg, executive management, bondholders, government, securities exchanges, employees, public interest groups, financial and other regulators, institutional and individual shareholders) with respect to the preparation and audit of financial statements;
- d. evaluate and appraise appropriate corporate governance mechanisms;
- e. explain and evaluate the nature and consequence of relevant corporate governance codes and set out the required compliance disclosures;
- f. explain the OECD principles of corporate governance;
- g. explain the respective responsibilities of those charged with governance and auditors for corporate risk management and risk reporting;
- h. explain the respective responsibilities of those charged with governance and auditors in respect of internal control systems;
- i. explain and evaluate the role and requirement for effective two-way communication between those charged with governance and auditors; and
- j. describe and explain the roles and purposes of meetings of boards and of shareholders.

14 Audit evidence

- a. explain and evaluate the relationship between audit risk and audit evidence;
- b. determine audit objectives for each financial statement assertion;
- c. determine for a particular scenario what comprises sufficient, appropriate audit evidence;
- d. design and determine audit procedures in a range of circumstances and scenarios, for example identifying an appropriate mix of tests of controls, analytical procedures and tests of details;
- e. demonstrate how professional scepticism may be applied to the process of gathering audit evidence and evaluating its reliability;
- f. demonstrate and explain, in the application of audit procedures, how relevant ISAs affect audit risk and the evaluation of audit evidence;
- g. evaluate, applying professional judgement, whether the quantity and quality of evidence gathered from various audit procedures is sufficient to draw reasonable conclusions;
- h. prepare appropriate audit documentation; and
- i. recognise issues arising whilst gathering assurance evidence that should be referred to a senior colleague.

15 Reporting and concluding

- a. review the appropriateness of the going concern assumption;
- b. review events after the reporting period;
- c. review and evaluate, quantitatively and qualitatively, for example using analytical procedures, the results and conclusions obtained from audit procedures;
- d. draw conclusions on the nature of the report on an audit engagement, and formulate an opinion for a statutory audit, which are consistent with the results of the audit evidence gathered; and
- e. draft suitable extracts for reports (for example any report to the management or those charged with governance issued as part of the engagement).

16 Assurance engagements

- a. explain the nature of a range of different assurance engagements;
- b. evaluate the evidence necessary to report at the appropriate level of assurance;
- c. evaluate risk in relation to the nature of the assurance engagement and the entity or process for a given scenario; and
- d. design and determine procedures necessary to attain the relevant assurance objectives in a potentially complex scenario.

17 Other engagements

- a. evaluate the role of internal audit and design appropriate procedures to achieve the planned objectives;
- b. appraise and explain the nature and purposes of forensic audit and prepare and plan procedures required to achieve a range of differing objectives;
- c. explain the roles and responsibilities that auditors may have with respect to a variety of different types of information and design procedures sufficient to achieve agreed objectives; and
- d. explain the nature and purposes of due diligence procedures (for example: financial, commercial, operational, legal, tax, human resources) and plan procedures required to achieve a range of differing financial objectives.

Audit and Corporate Reporting – integrated learning outcomes

Students will be able to evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.

In the assessment, students may be required to:

18 Integrated learning outcomes

- a. identify and explain corporate reporting and assurance issues in respect of social responsibility, sustainability and environmental matters for a range of stakeholders;
- b. critically evaluate accounting policies choices and estimates, identifying issues of earnings manipulation and creative accounting; and
- c. critically appraise corporate reporting policies, estimates and measurements for single entities and groups in the context of an audit.

Ethics : LO6, LO7

Students will be able to identify and explain ethical issues. Where ethical dilemmas arise, they will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats. In the assessment, students may be required, in the context of corporate reporting and auditing, to:

19 Ethics

- a. identify and explain ethical issues in reporting, assurance and business scenarios;
- b. explain the relevance, importance and consequences of ethical issues;
- c. evaluate the impact of ethics on a reporting entity, relating to the actions of stakeholders;
- d. recommend and justify appropriate actions where ethical issues arise in a given scenario; and
- e. design and evaluate appropriate safeguards to mitigate threats and provide resolutions to ethical problems.

Strategic Business Management – 100 Marks

Module aim

To enable students to demonstrate quantitative and qualitative skills, in order to make realistic business recommendations in complex scenarios. Business awareness will need to be demonstrated at strategic, operating and transactional levels.

To achieve this aim, students will be required to use technical knowledge and professional judgement to apply appropriate models and to analyse data from multiple sources, including corporate reports, in order to evaluate alternatives and determine appropriate solutions.

On completion of this module, in a national or global context, and for a range of different business structures and industry scenarios, students will be able to:

- Analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance.
- Identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions.
- Identify and explain ethical issues. Where ethical dilemmas arise, students will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.
- Interpret and apply corporate reporting information in evaluating business and financial performance; recognise and explain the corporate reporting consequences of business and financial decisions; apply corporate reporting information in appropriate models to determine asset, equity and entity valuations, demonstrating an understanding of the usefulness and limitations of accounting information in this context.
- Appraise and explain the role of assurance in raising new equity and debt funding and in the subsequent monitoring of such funding arrangements; understand, explain and evaluate the role of assurance in selecting and implementing key business decisions including acquisitions and strategic alliances; understand and explain the role of assurance in financial and business risk management.

Prior knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module, the Business Strategy module and the Financial Management module.

Background knowledge based upon the strategic elements of the Business Planning: Taxation and the Audit and Assurance module will also be required in evaluating the business and financial risks of reporting entities.

Ethics

Ethical codes will be those issued by IFAC and the ICAB. The ethical implications will be at both the organizational level and for individuals, particularly with respect to the accountant in business.

Method of assessment

The Strategic Business Management module will be examined using a paper-based assessment of 3.0 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics. Ethical issues and problems could appear in either question.

Specification grid

The grid below shows the relative weightings of subjects within this module and should guide the study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (indicative %)
Business Strategy and Management	30-40
Financial Strategy	25-35
Financial Structure and Financial Reconstruction	
Financial Instruments and Financial Markets	
Corporate Reporting	15-20
Assurance	10
Ethics	5-10

Business contexts

The learning outcomes may all be assessed within an integrated business scenario.

The following are examples of possible scenarios:

- developing management information strategies
- developing management and corporate governance mechanisms
- business and financial risk management
- business start-up planning
- business and security valuations
- developing policies for sustainability and corporate responsibility
- raising, structuring and restructuring of finance
- resource management issues
- developing performance management strategies
- developing remuneration and reward packages
- reorganization and restructuring of entities, and the management of change
- financial distress and business recovery
- developing global financial and business strategies and operations
- developing global divisional and transfer pricing strategies for tax and performance management
- appraisal methods for businesses undertaking major projects and/or organizational or process transformation
- issues arising from use of complex financial instruments in business finance in the context of risk and treasury management
- ethical issues arising in business and finance.

Integrated learning outcomes

Business Strategy and Management

Students will be able to analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance. Students will also be able to apply corporate reporting and assurance principles and practices in the context of key business decisions and events.

In the assessment, students may be required to:

1 Strategic analysis

- a. describe and explain the strategic objectives of an entity considering the interests of stakeholders
- b. analyse and evaluate, for a given scenario, the external economic, market and industry environment which may impact upon a business's performance and position
- c. identify and evaluate the significance of the internal factors in a given scenario which may influence an entity's ability to achieve its chosen strategic objectives
- d. analyse and evaluate an entity's current position and performance, from both a financial perspective and a non-financial perspective, using a variety of internal and external information sources
- e. demonstrate how strategic analysis tools can be used in a complex scenario
- f. demonstrate how business strategy and financial strategy can interrelate in a complex scenario
- g. evaluate and advise upon the strategic capability of an entity
- h. evaluate strategy at corporate, business unit and operational levels.

2 Strategic choice

- a. assess, advise on and propose appropriate business strategies to meet stated objectives
- b. identify and evaluate business unit strategies to achieve sustainable competitive advantage
- c. explain and demonstrate how financial and non-financial data can be analysed in order to select an optimal business strategy
- d. explain and demonstrate how strategic business models can be used in a given scenario, to identify factors that a business can consider in choosing between competing strategies
- e. explain international strategies; appraise international value chains and markets; including the concepts of globalisation and the borderless business; and show the impact on individual and group financial statements in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates.

3 Strategic implementation

- a. demonstrate and explain the impact of acquisitions and strategic alliances in implementing corporate strategy and evaluate the nature and role of assurance procedures in selecting and monitoring such strategies
- b. evaluate and explain the relationship between business strategy and organizational structure
- c. explain and evaluate the nature and methods of change management and advise on the implementation of change in complex scenarios
- d. demonstrate and explain the techniques that may be used in implementing a strategy to reduce costs, for example supply chain management, business process re-engineering and outsourcing
- e. evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy
- f. develop business plans and proposals and advise on technical issues relating to business and organizational plans, assessing the impact on historic and projected corporate reporting information.

4 Strategic performance management

- a. advise on, and develop, appropriate performance management approaches for businesses and business units
- b. explain and demonstrate how a business can analyse complex data from multiple sources to provide strategic management accounting information to implement, monitor and modify a strategy at an appropriate organizational level in order to create competitive advantage
- c. use financial and non-financial performance data from a variety of sources, including integrated reporting disclosures, to measure multiple aspects of performance at a variety of organizational levels
- d. advise on, and develop, appropriate remuneration and reward packages for staff and executives linked to performance, considering agency relationship issues; and evaluate the impact on corporate reports arising from IAS 19, Employee Benefits, and IFRS 2, Share-based Payment
- e. develop measures to evaluate performance in the context of social responsibility, sustainability and environmental matters.

5 Strategic marketing and brand management

- a. assess strategic marketing issues and demonstrate the application of marketing techniques in complex scenarios
- b. evaluate and analyse markets and the marketing environment and develop a marketing strategy consistent with the overall business strategy
- c. explain, using information provided, how to position particular products and services in the market place (domestic or international) to maximise competitive advantage, and assess the impact on revenue recognition and profit in accordance with IFRS 15, Revenue from Contracts with Customers
- d. demonstrate, across a range of industries, how elements of the marketing mix can be used to promote competitive advantage
- e. develop and explain marketing strategies using databases and information technology applications such as social media and other internet sources
- f. develop and explain the strategies for managing and sustaining existing brands
- g. prepare marketing strategies and show how they can be used to develop brands
- h. demonstrate how appraisal techniques can be used for valuing brands, patents, R&D projects and intellectual property and evaluate relevant corporate reporting recognition and measurement implications according to IAS 38, Intangible Assets.

6 Business risk management

- a. analyse and evaluate the key types of business risks and assess their implications within a given scenario, for business strategy and corporate reporting disclosures
- b. advise on the risks involved in business and organizational plans and show how these risks can be managed by assurance procedures and other forms of risk mitigation
- c. explain the responsibility of those charged with governance for managing risk and assess the role of assurance in risk mitigation
- d. assess the impact of risk on a variety of stakeholders
- e. explain and assess the various steps involved in constructing a business risk management plan, by establishing context, identifying risks and the assessment and quantification of risk
- f. evaluate and explain the limitations of business risk management

- g. assess and explain enterprise risk management, evaluating its framework and its benefits
- h. using data provided, analyse quantitatively, business risks under a range of complex scenarios.

7 Corporate governance

- a. assess the nature of governance and the explain the characteristics and principles of good governance in a variety of scenarios
- b. assess the interests and impact of organizational stakeholders in determining strategy and the consequences for stakeholders of strategic choices
- c. evaluate the impact of governance mechanisms on a range of stakeholders
- d. assess and advise on appropriate corporate governance mechanisms, and evaluate stakeholder management
- e. analyse and evaluate the strengths and weaknesses of corporate governance mechanisms and processes
- f. explain the role of boards in determining and evaluating an entity's policy for social responsibility, sustainability and environmental matters and advise on corporate reporting disclosures relating to these policies
- g. evaluate the suitability of corporate governance and organizational structures for implementing strategy
- h. explain the role of boards in monitoring corporate performance and risk, and assess the role of assurance procedures in this context
- i. explain the nature, and assess the consequences, of the legal framework within which businesses, assurance and governance systems operate (with particular reference to company law, fraud, money laundering, civil liabilities, social security law, employment law, contract law, tort and environmental law).

8 Data analysis

- a. undertake appropriate data analysis, business analysis and financial statement analysis
- b. explain financial and operational data and other management information, drawing inferences relating to its completeness, accuracy and credibility, as a basis for a meaningful analysis of the position, future prospects and risks for a business
- c. demonstrate how suitable financial, strategic and operational analysis techniques can be used to analyse financial and operational data and to evaluate business position, prospects and risks, including the analysis and benefits of 'Big Data'.
- d. communicate an explanation (stating any reservations regarding transparency and objectivity of data and information) of the position, prospects and risks of a business, based on analysis of financial and operational data and information, and assess the extent to which limited assurance and reasonable assurance engagements can identify and mitigate information risks in this context.

9 Information strategy

- a. outline proposals and advise on outline requirements for information technology applications to support business strategy, for example in the context of e-commerce, e-business and virtual arrangements
- b. use management accounting information (for example, costs, prices, budgets, transfer prices) and management accounting tools (for example, break-even, variances, limiting factors, expected values, ABC, balanced scorecard) to evaluate short and long term aspects of strategy
- c. explain and appraise how management information systems can provide relevant data to analyse markets, industry and performance, including the capture and analysis of big data

- d. demonstrate and explain methods for determining the value of information in the context of developing an information strategy
- e. assess financial and operational data and information from management information systems, drawing inferences relating to its completeness, accuracy and credibility, and provide an evaluation of assurance procedures in evaluating information risks, including those relating to cyber security
- f. demonstrate and explain how businesses capture, analyse and utilise information to develop competitive advantage.

10 Human resource management

- a. assess, explain and advise on the role of human resource management in implementing strategy
- b. demonstrate and explain how human resource management can contribute to business strategy
- c. identify the impact of remuneration structures on organizational behaviour and other aspects of human resource management, and show the corporate reporting consequences
- d. demonstrate and explain the role and impact of human resource management in change management.

Financial Strategy

Students will be able to identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions. Students will also be able to apply corporate reporting and assurance principles and practices in the context of key financing decisions and events.

In the assessment, students may be required to:

11 Finance awareness

- a. demonstrate and explain the financing alternatives available for projects and assets, and make informed choices as to which alternative is the most compatible with the overall financial strategy of the entity, showing the corporate reporting consequences relating to presentation, disclosure, recognition and measurement of projects and their financing
- b. assess and explain current and emerging issues in finance
- c. identify social responsibility, sustainability and environmental factors for a range of financial stakeholders, and assess assurance and corporate reporting issues relating to such factors
- d. explain how financial crises, which have occurred in the past over a long time period, may impact on approaches and attitudes to financial risk and may inform corporate reporting practice.

12 Business and securities valuation

- a. explain, advise on and demonstrate appropriate valuation methods for businesses and equity securities using: asset-based; adjusted earnings-based; and cash-based methods (for example SVA, EVAR, VBM, MVA and other appropriate techniques)
- b. critically appraise business and securities valuation methods in the context of specified complex scenarios
- c. explain and demonstrate appropriate valuation techniques in the context of acquisitions and mergers; assess the contribution of due diligence procedures; and show the impact on corporate reporting issues from IFRS 3, Business Combinations, and IFRS 10, Consolidated Financial Statements

- d. explain and demonstrate appropriate valuation techniques in the context of demergers and for disposal of entities and business units, and show the impact on corporate reporting issues from IFRS5, Non-current Assets Held for Sale and Discontinued Operations
- e. determine the value of debt and explain the techniques used.

Financial Structure and Financial Reconstruction

13 Capital structure

- a. appraise and evaluate the sources of finance and the process for raising finance
- b. advise on and develop proposals for determining the appropriate financing mix for new businesses and projects
- c. explain and advise on issues relating to the cost of capital
- d. show and explain how dividend policy impacts upon equity value and upon financing and investment decisions
- e. appraise and explain how the choice of financing impacts on reported corporate performance, and on the recognition and measurement of financial assets and financial liabilities.

14 Financial reconstruction

- a. show and explain how financial reconstruction takes place and explain the consequences of such reconstructions for corporate reporting
- b. appraise and evaluate financial reconstruction proposals in a given scenario, and determine the nature and role of assurance procedures in this context
- c. explain the different reasons for refinancing, and demonstrate how companies in financial distress can be managed, having regard to insolvency law
- d. explain and appraise the workings of, and reasons for, securitisation, showing the impact on financial statement information
- e. explain and appraise the nature and consequences of leveraged buy outs
- f. appraise and evaluate various forms of reconstruction (for example, spin-off, MBO, divestment, demergers, purchase of own shares, use of distributable profits), explaining the corporate reporting impact.

15 Small and medium company financing

- a. appraise and explain the small and medium-sized enterprise financing problem
- b. appraise and evaluate the various methods of financing available to small and medium-sized enterprises, and explain the nature and role of assurance for small and medium-sized companies in raising such finance
- c. assess and explain the characteristics of sources of equity for smaller companies and the financial institutions operating in these markets (for example, venture capital and private equity).

Financial Instruments and Financial Markets

16 Equity instruments

- a. assess and explain the types of equity securities, and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements

- b. appraise and explain the characteristics of equity markets and the financial institutions operating in these markets
- c. analyse and evaluate the cost of equity, portfolio theory and the use of appropriate asset pricing models, applying principles of financial economics.

17 Fixed interest

- a. explain the types of fixed interest securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
- b. appraise and explain the characteristics of bond markets and the financial institutions operating in these markets
- c. appraise and evaluate the use of bonds/loans as a method of finance, and explain the implications of terms included in loan agreements in a given scenario (for example, covenants and guarantees) and the explain the procedures by which monitoring and assurance can be provided in respect of such agreements
- d. explain and appraise bond valuation techniques and assess flat and gross redemption yields
- e. explain and appraise yield curves, sensitivity to yield and components of the yield
- f. evaluate and explain interest rate risk
- g. appraise and evaluate credit risk and credit spread.

18 Derivatives

- a. explain the types of derivative securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
- b. assess and explain the characteristics of derivative markets and the financial institutions operating in these markets
- c. appraise and evaluate the characteristics of forwards, futures, options, swaps, credit derivatives.

19 Financial risk management

- a. analyse and evaluate financial risks and their implications (for example financing, currency and interest rate risks) and show the application of qualitative and quantitative risk disclosures according to IFRS 7, Financial Instruments: Disclosure, and other corporate reporting disclosures relevant to risk assessment
- b. appraise and advise on appropriate methods to assess and manage financial risk in specific business scenarios
- c. explain and appraise financial instruments available for hedging against interest rate and foreign exchange rate risk, for example, swaps, collars and floors
- d. demonstrate and explain the nature and operation of financial instruments underlying the disclosure, recognition and measurement requirements of IAS 32, IAS 39, IFRS 7 and IFRS 9
- e. demonstrate and explain how interest rate hedging strategies and foreign currency risk management strategies can be formulated, both at the level of the individual transaction and for macro hedging arrangements.

20 International financial management

- a. explain and appraise the various methods of financing available for overseas investments and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates
- b. appraise and explain global treasury organization and international liquidity management
- c. appraise and evaluate the factors affecting the capital structure of a multinational company
- d. explain and appraise the advantages and risks associated with international borrowing
- e. demonstrate and explain the risks associated with international trade and the ways in which these risks can be managed, and assess the nature and role of assurance procedures in mitigating risk and the financial reporting consequences of currency hedging
- f. appraise and evaluate the different methods open to multinationals wishing to set up overseas operations and the choices of finance available, identifying tax and corporate reporting consequences
- g. assess and explain the impact of exchange controls and how companies can overcome the effects of these controls
- h. appraise and evaluate the management of dividends in multinational organizations
- i. appraise and evaluate the management of transfer prices in multinational organizations and the implications for reported profit and tax.

21 Investment appraisals

- a. select and advise on investment appraisal techniques which are appropriate to the objectives and circumstances of a given business
- b. appraise and advise on appropriate measures of return and risk for assessing business projects
- c. demonstrate and evaluate investment appraisal techniques for international projects, identifying the impact of tax and the effects on corporate reporting
- d. explain and appraise real options and determine the impact of options to abandon, expand, delay and redeploy
- e. appraise and evaluate the quantitative and qualitative issues surrounding international investment appraisal
- f. evaluate the impact of externalities when making investment appraisal decisions
- g. identify social responsibility, sustainability and environmental consequences of investment decisions, explaining corporate reporting issues in relation to such policies.

22 Treasury and working capital management

- a. demonstrate and explain the role and responsibilities of the treasury management function
- b. demonstrate and explain the role of treasury management in short-term finance, short-term investment and liquidity risk
- c. appraise and evaluate the contribution of working capital management to short term and long term financing
- d. evaluate the risks arising from working capital management and how these may be mitigated
- e. evaluate and explain working capital requirements for a range of different organisations and circumstances
- f. demonstrate and explain the nature and role of working capital management within financial management
- g. appraise, evaluate and advise with respect to working capital management techniques.

Ethics

Students will be able to identify and explain ethical issues. Where ethical dilemmas arise, students will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats.

23 Ethics

In the assessment, students may be required to:

- a. recognise and explain ethical issues
- b. explain the relevance, importance and consequences of ethical issues
- c. evaluate the impact of ethics on an entity, its stakeholders and the scope of its strategies and operations
- d. recommend and justify appropriate actions where ethical dilemmas arise in a given scenario
- e. design and evaluate appropriate ethical safeguards.