



**ACCA**

**Financial Management (FM)**

Pocket Notes

**KAPLAN**  
PUBLISHING

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chapter

# 1

## The financial management function

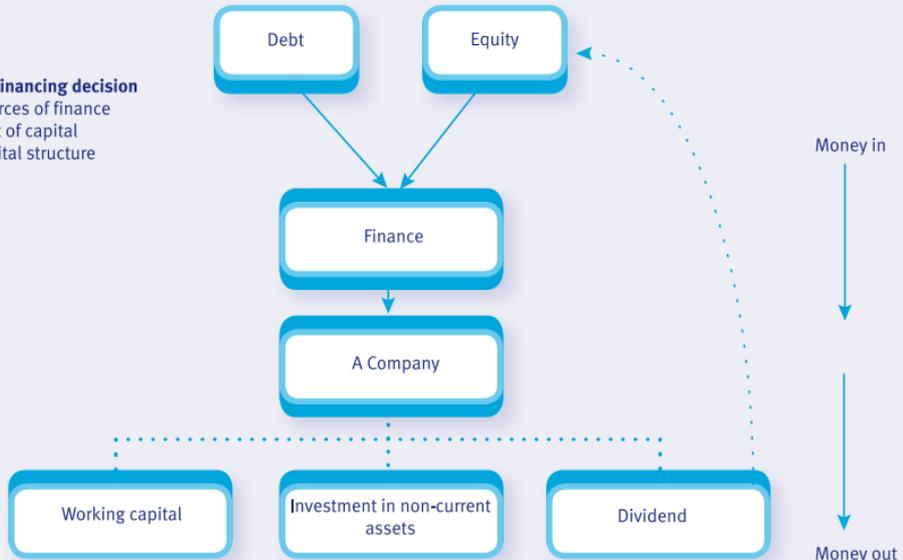
### In this chapter

- 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.



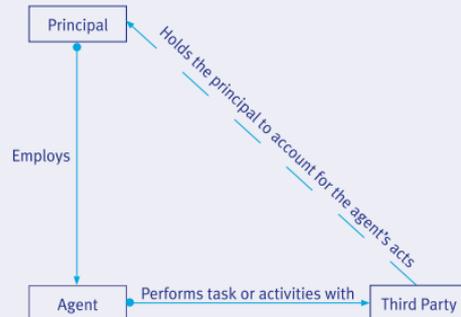
Stakeholders can be classed as internal, connected or external.



### 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.

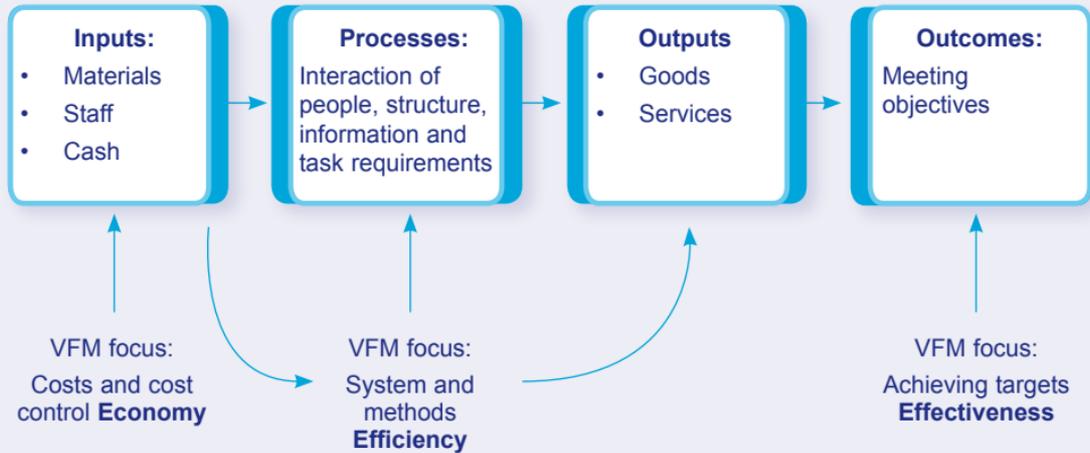
- Total to be raised in grants and voluntary income.
- Maximum permitted administration costs.
- Meeting budgets.
- Breaking-even in the long run.
- Other measures: waiting time, successful outcomes etc.
- Maximum percentage of this total that fund-raising expenses represents.
- Amounts to be spent on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