



ACCA

**Advanced Financial
Management (AFM)**

Pocket Notes

KAPLAN

PUBLISHING

British library cataloguing-in-publication data

A catalogue record for this book is available from the British Library.

Published by:
Kaplan Publishing UK
Unit 2 The Business Centre
Molly Millars Lane
Wokingham
Berkshire
RG41 2QZ

ISBN 978-1-83996-178-6

© Kaplan Financial Limited, 2022

Printed and bound in Great Britain.

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited and all other Kaplan group companies expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, consequential or otherwise arising in relation to the use of such materials.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Kaplan Publishing.

Contents

| | | |
|--------------------|--|-----|
| Chapter 1: | The role and responsibility of the financial manager | 1 |
| Chapter 2: | Investment appraisal | 9 |
| Chapter 3: | International operations and international investment appraisal..... | 19 |
| Chapter 4: | The financing decision..... | 29 |
| Chapter 5: | The dividend decision..... | 41 |
| Chapter 6: | The weighted average cost of capital (WACC)..... | 53 |
| Chapter 7: | Risk adjusted WACC and adjusted present value | 61 |
| Chapter 8: | Option pricing | 71 |
| Chapter 9: | An introduction to risk management..... | 79 |
| Chapter 10: | Hedging foreign exchange risk..... | 87 |
| Chapter 11: | Hedging interest rate risk | 97 |
| Chapter 12: | Strategic aspects of acquisitions..... | 107 |
| Chapter 13: | Business valuation | 117 |
| Chapter 14: | Corporate failure and reconstruction..... | 127 |
| Index: | | 1.1 |

The aim of AFM

AFM builds on earlier work and aims to develop in students the ability to make (or provide information for others to take) senior level decisions regarding the financial management of organisations.

Format of the exam

Section A: one compulsory question worth 50 marks.

Section B: 2 compulsory questions worth 25 marks each.

AFM is a 3 hour 15 minutes Computer Based Exam (CBE).

Exam Guidance – keys to success in this paper

Key topic areas:

- cost of capital
- capital investment

- mergers and acquisitions – including valuation
- financing options
- risk management
- emerging issues
- ethical considerations.



Key Point

Success comes from learning the material and applying it in a clear, concise and professional way.



Exam focus

In the CBE exam you will be expected to demonstrate good “Employability and Technology” skills i.e. competent use of a spreadsheet and a word processor.

Also, every exam question will test some or all of the following four “Professional Skills” – (1) Communication, (2) Scepticism, (3) Commercial Acumen, (4) Analysis and Evaluation. Each section A question will contain ten Professional Skills marks, and each section B question will contain five. Therefore there will be twenty Professional Skills marks on every exam, alongside the eighty technical marks.



Key Point

Don't just learn the syllabus topics. Read quality newspapers and accountancy journals too. Think about what you read and how it affects what you are learning in your studies.



Exam focus

Keep an eye on the ACCA website (ACCAglobal.com), for technical articles relevant to each paper you are studying – those written about 6 to 12 months prior to exam often highlight likely exam topics (especially if they are written by the examiner).

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to mykaplanreporting@kaplan.com with full details, or follow the link to the feedback form in MyKaplan.

Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.