

Professional Stage Examination (PSE)

Finance and Financial Management

Module Outline

FINANCE AND FINANCIAL MANAGEMENT

LEARNING OUTCOME

To equip students with:

1. A good understanding of the organisation's financial strategy and key functions of the financial manager.
2. A sound knowledge of the principles of financial management.
3. The ability to evaluate business finance decisions.

INTRODUCTION

In order to run or manage a business, one has to understand the organisation's financial objectives and strategies in the context of the organisation's financial constraints and its general environment. The syllabus on Finance and Financial Management should enable students to be an effective contributor to the successful management of a business organisation.

The syllabus on Finance and Financial Management emphasises on evaluation of sources of finance and their effects on decision making, valuation of businesses, analysis of capital structures and the cost of capital which should be used to evaluate long-term investments, the formulation and working of working capital strategies and appreciating and evaluating the risk and return of investments.

The chapter on quantitative methods is meant to remind and impress on the candidate the recognition that statistical measures and methods can help the financial manager to make better financial decisions.

EXAMINATION FORMAT

A 3-hour written paper consisting of two parts:

Section A : 2 compulsory questions	40%
Section B : Choice of 3 from 4 questions	60%

SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Financial Strategy Risk Analysis	10%
Sources of Finance	15%
Financial Intermediation Valuation of Securities and Market Efficiency	15%
Cost of Funds Capital Structure and Practical Considerations	15%
Working Capital	15%
Investment Appraisal	15%
Portfolio Theory Risk and the Capital Asset Pricing Model	15%
Total	100%

SYLLABUS CONTENT

NO	TOPIC
1.	Financial Strategy <ul style="list-style-type: none">a) Nature and purpose of strategi financial objectivesb) Relationship between firm's corporate strategy and financial objectivesc) Conflict of objectives between shareholders, managers and other stakeholdersd) Stakeholders' expectations, objectives and their impact on firm's objectives.
2.	Risk Analysis <ul style="list-style-type: none">a) Risk and uncertaintyb) Adjusting discount rates and payback periodsc) Sensitivity analysisd) The certainty equivalent approache) Decision trees
3.	Sources of Finance I <ul style="list-style-type: none">a) Equity financingb) Effect of dividend policiesc) Debt and near-debt financingd) Convertibles and warrants
4.	Sources of Finance II <ul style="list-style-type: none">a) Government assistanceb) Bank borrowingc) Leasing and hire purchased) Smaller businesses
5.	Role of Financial Intermediation <ul style="list-style-type: none">a) Financial intermediationb) Islamic financial productsc) Functions of stock marketd) New share issuese) Investment banksf) Venture capital
6.	Valuation of Securities and Market Efficiency <ul style="list-style-type: none">a) Share prices and investment returnsb) The fundamental analysis theory of share valuesc) Charting or technical analysisd) Random walk theory

	e) The efficient market hypothesis
7.	<p>Cost of Funds</p> <ul style="list-style-type: none"> a) Investment decisions, financing decisions and the cost of capital b) The costs of different sources of finance c) Special problems d) The weighted average cost of capital
8.	<p>Capital Structure and Practical Considerations</p> <ul style="list-style-type: none"> a) Gearing, financial risk and the cost of capital b) Traditional and net operating income views of WACC c) Modigliani-Miller (MM) theory without taxation d) Modigliani-Miller theory adjusted for taxation e) Bankruptcy costs f) Agency costs g) Tax exhaustion h) Debt capacity
9.	<p>Working Capital I</p> <ul style="list-style-type: none"> a) Overview of working wealth b) Cash management techniques c) Short-term investments d) Payment methods e) Cash flow forecast
10.	<p>Working Capital II</p> <ul style="list-style-type: none"> a) The management of inventories b) The management of debtors c) The management of creditors and short-term finance
11.	<p>Investment Appraisal I</p> <ul style="list-style-type: none"> a) Capital budgeting process

	<ul style="list-style-type: none"> b) Capital investment appraisal c) The accounting rate of return (ARR) method d) The payback method e) Discounted cash flow
12.	<p>Investment Appraisal II</p> <ul style="list-style-type: none"> a) Capital rationing b) DCF and gradual annual sales growth c) The annualised cost of a capital item d) Asset replacement decisions e) Effects of taxation and inflation
13.	<p>Portfolio management</p> <ul style="list-style-type: none"> a) Portfolios and portfolio theory b) Investors' preferences c) Portfolio theory and financial management
14.	<p>Risk and Capital Asset Pricing Model</p> <ul style="list-style-type: none"> a) Risk and the CAPM b) Calculating the beta factor c) CAPM and portfolio management d) Gearing and the β values of companies' equity e) Risk and real investment decision f) Practical implications of the CAPM g) The arbitrage pricing model
15.	<p>Quantitative Methods</p> <ul style="list-style-type: none"> a) Role of statistical analysis for decision making b) Commonly used quantitative methods and techniques c) Probability and probability distributions d) Sampling distribution and estimation e) Hypothesis testing f) Correlation and regression

g) Time series analysis

RECOMMENDED BASIC TEXTS

AUTHOR	TITLE	PUBLISHER
MICPA	Finance and Financial Management Candidate Study Guide	MICPA
Richard Pike & Bill Neale	Corporate Finance and Investment	Prentice Hall, 9 th Ed.
Richard Brealey & Stewart Myres & Franklin Allen	Principles of Corporate Finance	McGraw Hill, 13 th Ed.

RECOMMENDED REFERENCE TEXTS

AUTHOR	TITLE	PUBLISHER
Andrew Leong & Sharifah Fadzlon & Tew You Hoo	Corporate Finance	Prentice Hall
Gitman, L	Principles of Managerial Finance	Pearson Education, 12 th Ed.
Ross, S, Randolph, W & Jaffe, J	Corporate Finance	McGraw-Hill / Irwin, 6 th Ed.
Mohamed Ariff, Shamser Mohamad, Annuar Md Nassir (1998)	Stock Pricing in Malaysia	UPM Press, 1 st Ed.

Last updated: August 2025