Final Course
(Revised Scheme of Education and Training)
Study Material
(Modules 1 to 2)

Paper 2
Strategic Financial Management
Module - 2

BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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Objective:
To acquire the ability to apply financial management theories and techniques in strategic decision making.

Contents:

(1) Financial Policy and Corporate Strategy
   (i) Strategic decision making framework
   (ii) Interface of Financial Policy and strategic management
   (iii) Balancing financial goals vis-à-vis sustainable growth.

(2) Indian Financial System
   (i) Introduction to Financial Market
   (ii) Role of Financial Market in Economic Development

(3) Risk Management
   (i) Identification of types of Risk faced by an organisation
   (ii) Evaluation of Financial Risks
   (iii) Value at Risk (VAR)
   (iv) Evaluation of appropriate method for the identification and management of financial risk.

(4) Security Analysis
   (i) Fundamental Analysis
   (ii) Technical Analysis
      a) Meaning
      b) Assumptions
c) Theories and Principles
d) Charting Techniques
e) Efficient Market Hypothesis (EMH) Analysis

(5) Security Valuation
   (i) Theory of Valuation
   (ii) Return Concepts
   (iii) Equity Risk Premium
   (iv) Required Return on Equity
   (v) Discount Rate Selection in Relation to Cash Flows
   (vi) Approaches to Valuation of Equity Shares
   (vii) Valuation of Preference Shares
   (viii) Valuation of Debentures/ Bonds

(6) Portfolio Management
   (i) Portfolio Analysis
   (ii) Portfolio Selection
   (iii) Capital Market Theory
   (iv) Portfolio Revision
   (v) Portfolio Evaluation
   (vi) Asset Allocation
   (vii) Fixed Income Portfolio
   (viii) Risk Analysis of Investment in Distressed Securities
   (ix) Alternative Investment Strategies in context of Portfolio Management

(7) Securitization
   (i) Introduction
   (ii) Concept and Definition
   (iii) Benefits of Securitization
   (iv) Participants in Securitization
   (v) Mechanism of Securitization
   (vi) Problems in Securitization
(vii) Securitization Instruments
(viii) Pricing of Securitization Instruments
(ix) Securitization in India

(8) Mutual Fund
(i) Meaning
(ii) Evolution
(iii) Types
(iv) Advantages and Disadvantages of Mutual Funds

(9) Derivatives Analysis and Valuation
(i) Forward/Future Contract
(ii) Options
(iii) Swaps
(iv) Commodity Derivatives

(10) Foreign Exchange Exposure and Risk Management
(i) Exchange rate determination
(ii) Foreign currency market
(iii) Management of transaction, translation and economic exposures
(iv) Hedging currency risk
(v) Foreign exchange derivatives – Forward, futures, options and swaps

(11) International Financial Management
(i) International Capital Budgeting
(ii) International Working Capital Management
   a) Multinational Cash Management
      - Objectives of Effective Cash Management
      - Optimization of Cash Flows/Needs
      - Investment of Surplus Cash
   b) Multinational Receivable Management
   c) Multinational Inventory Management
(12) Interest Rate Risk Management
   (i) Interest Rate Risk
   (ii) Hedging Interest Rate Risk
      a) Traditional Methods
      b) Modern Methods including Interest Rate Derivatives

(13) Corporate Valuation
   (i) Conceptual Framework of Valuation
   (ii) Approaches/ Methods of Valuation
      a) Assets Based Valuation Model
      b) Earning Based Models
      c) Cash Flow Based Models
      d) Measuring Cost of Equity
         - Capital Asset Pricing Model (CAPM)
         - Arbitrage Pricing Theory
         - Estimating Beta of an unlisted company
      e) Relative Valuation
         - Steps involved in Relative Valuation
         - Equity Valuation Multiples
         - Enterprise Valuation Multiple
      f) Other Approaches to Value Measurement
         - Economic Value Added (EVA)
         - Market Value Added (MVA)
         - Shareholder Value Analysis (SVA)
      g) Arriving at Fair Value

(14) Mergers, Acquisitions and Corporate Restructuring
   (i) Conceptual Framework
   (ii) Rationale
   (iii) Forms
   (iv) Mergers and Acquisitions
a) Financial Framework
b) Takeover Defensive Tactics
c) Reverse Merger
(v) Divestitures
  a) Partial Sell off
  b) Demerger
  c) Equity Carve outs
(vi) Ownership Restructuring
  a) Going Private
  b) Management/ Leveraged Buyouts
(vii) Cross Border Mergers

(15) International Financial Centre (IFC)
  (i) Constituents of IFC
  (ii) Islamic Finance
    a) Major difference between Islamic Finance and other forms of Finance
    b) Concept of Riba
    c) Major Islamic Financial Instruments

(16) Startup Finance
  (i) Introduction including Pitch Presentation
  (ii) Sources of Funding
  (iii) Start up India Initiative

(17) Small & Medium Enterprises
  (i) Introduction: Market Size, Employment Generation and Contribution to GDP
  (ii) Financing: Expansion of SMEs
  (iii) Listing SMEs

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