

Welcome to GTG's Keynotes!

GTG has designed these keynotes so that they integrate completely with your Study Text. Each chapter, or Study Guide is based on the ACCA Syllabus. All the Learning Outcomes have been shrunk down into bite-size parts to help you remember them easily.

Features of GTG's keynotes:

- Full colour – to make learning more memorable!
- Diagrams – to aid the learning process
- They highlight points, simply and succinctly
- Short sharp sentences – easy to memorise
- Clearly laid out
- Icons used to aid understanding
- Linked directly to Study Text

Icons



Expansion / to show clarification when going from one box to another



Tip or important point to remember

This is used for extra clarification or exam focus

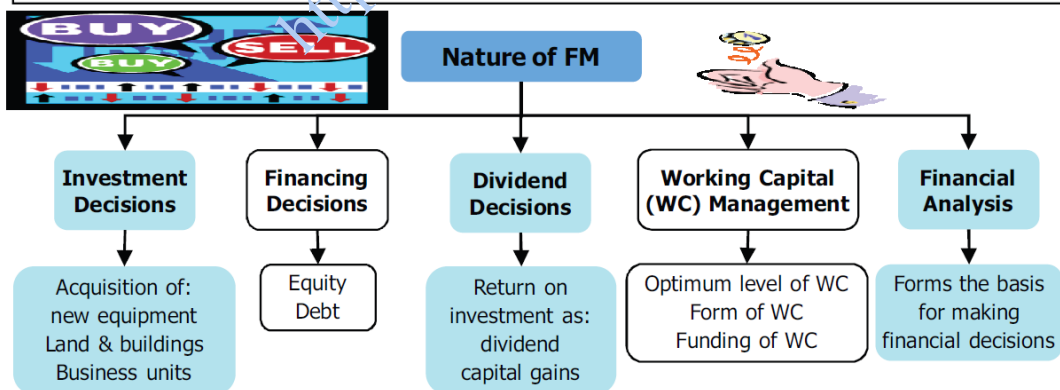
The Study Guide name can be found at the bottom of the page, here.

Page No. is here

Intro: this Study Guide discusses the nature & purpose of financial management (FM) with the broad spectrum of activities undertaken by a financial manager & the relationship of financial management with financial & management accounting.

Nature of FM & its relationship with financial & management accounting

Financial Management (FM): the efficient and effective management of money in such a manner as to accomplish the objectives of the organisation



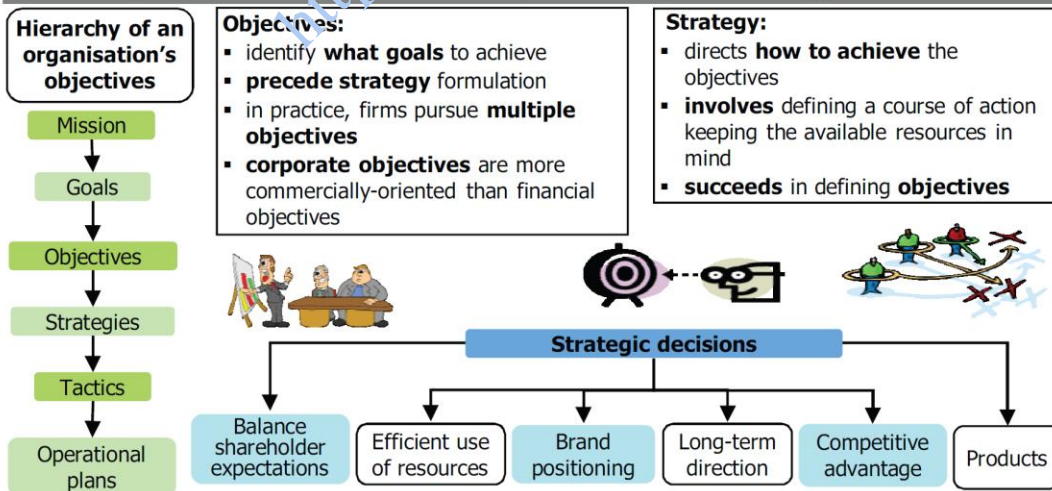
The relationship of financial management with financial and management accounting

Financial management	Financial accounting	Management accounting
Investment management	Balance sheet	Budgeting
Funding management	Income statement	Product profitability
Working capital management	Cash flow statement	Short term cost analysis & control
Dividend policy	Uses past information	Uses past, present & future information
Uses past & future information		



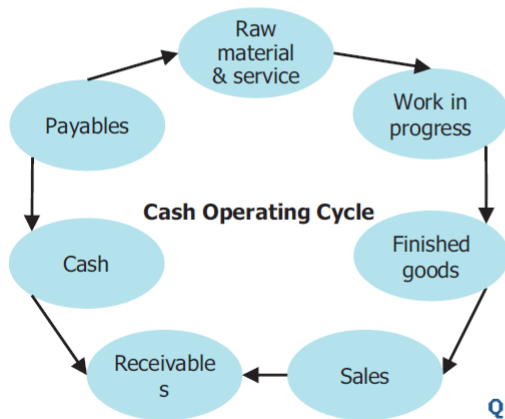
Intro: this Study Guide discusses the relationship between an organisation's objectives & the strategy it employs to help achieve those objectives with variety of financial objectives including shareholder wealth maximisation, profit maximisation and growth of earnings per share.

Relationship between financial & corporate objectives & corporate strategy



Intro: this Study Guide discusses each component of working capital (WC) and discusses how it can be managed in the best possible manner, in order to ensure liquidity & profitability, it is essentials of organisation's WC is managed effectively

Cash Operating Cycle



$$\text{Current ratio (CR)} = \frac{\text{Current assets (CA)}}{\text{Current liabilities (CL)}}$$



$$\text{WC turnover ratio} = \frac{\text{Sales revenue}}{\text{Net WC}}$$



$$\text{Quick ratio (QR)} = \frac{\text{Liquid current assets (i.e. CA)}}{\text{Quick liabilities (i.e. CL - Bank OD)}}$$

Management of Inventories, Accounts Receivable, Payables & Cash

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Working Capital Management

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$$\text{Economic order Quantity (EOQ)} = \sqrt{\frac{2 C_0 D}{C_h}}$$

D = Annual consumption for one period
 C_0 = Cost per order
 C_h = Annual cost of holding one unit

$$\text{Holding cost} = \text{Warehousing costs} + \text{Handling costs} + \text{Cost of capital} + \text{Insurance} + \text{Deterioration} + \text{Theft}$$

$$\text{Ordering costs} = \text{Ordering costs} + \text{Delivery costs}$$

Just-in-time techniques (JIT):

- accurate production planning
- no defects or wastage
- minimum movement & handling of material
- minimum stock of finished goods held
- production by order
- cannot be used to satisfy high demand

Managing inventory using EOQ & JIT models

$$\text{Inventory turnover ratio} = \frac{\text{Cost of sales}}{\text{Average inventory}}$$

$$\text{Inventory holding period} = \frac{\text{Inventory}}{\text{Cost of sales}} \times 365$$

The total annual costs involved with ordering the EOQ must be compared with the total annual cost involved when ordering in bulk. The more cost effective option from the two must be selected.

$$\text{Total annual costs} = \text{Annual cost of (Purchasing + Ordering + Holding)}$$

With the internet, suppliers can keep track of the company's demands & have material delivered just in time for production which reduces holding & handling costs.

