



PROFESSIONAL – MANAGERIAL FINANCE

EDUCATORS' BRIEFING 2020/21

Comment on Performance in 2020 Examinations

For this year, there was only one sitting in August 2020. This was due to the Covid 19 pandemic and the exam was held in an online format. The first observation is that the online format did not evidently cause any reduction in overall performance, as the results for the number of students sitting are similar to those for previous years. It should be borne in mind that the results refer to one sitting. In previous years, there were two sittings in April and August.

Questions ranged across a number of syllabus areas including: investment appraisal and capital budgeting; working capital management and credit analysis; weighted average cost of capital; flexible budgeting and variance analysis; and dividend policies. Questions required both theoretical knowledge and practically applied perspectives. Candidates displayed varying levels of familiarity with the topics examined. Candidates were supplied in the online format with blank online Excel sheets and Word documents that they could use to populate and answer each question. There were varying levels of proficiency in the use of Excel displayed by candidates (e.g. direct input of totals instead of using formulae). While this did not affect the marks awarded, the net effect was that some candidates did not benefit from the time saving techniques that are built into Excel. This was especially relevant in the capital investment appraisal question. The question was generally well answered but candidates could have saved time by using Excel more effectively.

Students are advised not to exclude any areas of the syllabus in their preparation. Professional accountancy students are expected to have the ability to apply knowledge and techniques across a range of examinable topics. Furthermore, the multiple-choice questions have the potential to be taken from a wide variety of syllabus areas. Candidates are reminded that they should cover the entire syllabus so that they can deal adequately with specific questions referring to a wide range of managerial finance issues. It was noticeable that in the Weighted Average Cost of Capital (WACC) calculation question that some candidates were not familiar with the techniques and information required for calculating the WACC components. Students should note that the tax shield of debt can significantly reduce its cost. The budgeting question was well answered by candidates who demonstrated a clear understanding of the key differences between the various budgeting approaches. The question on dividend policy requested a discursive style in the answer. Some candidates answered this in a brief, non-discursive style and lost marks accordingly. In line with previous years, the multiple-choice questions were poorly answered. As noted above, students should cover the entire syllabus so that they can deal adequately with specific questions about a wide range of managerial finance issues. Please note that where questions have specific instructions these should be followed. For example, some questions specifically required the summary of calculations to be presented in a tabular format. In the discussion type questions, some of the answers provided did not deal with the topics posed. Marks can only be awarded for valid points that are stated correctly and address the relevant issue/s. Candidates should present their answers so that the text and numbers are clearly legible and numbered correctly on every page. Candidates are reminded that presentation

of information in the required format using concise, correct business English is very important for accountants at all levels.

Syllabus Aim

In accordance with the syllabus, the aim of this subject is to ensure that students develop a critical understanding of the nature and scope of managerial finance. As stated above, students should be able to apply investment appraisal techniques, calculate the cost of the available sources of finance and WACC, calculate components of working capital, and evaluate budgeting approaches. They are also expected to demonstrate excellent written communication skills and the ability to integrate learning of other subjects into comprehensive solutions. Detailed learning outcomes can be found at www.cpaireland.ie

Syllabus Changes

The diet of examinations for the forthcoming year 2021 will be conducted in accordance with the new CPA syllabus. Students are requested to consult the new syllabus for this module, as there are some significant changes. In brief, the area of working capital management is enhanced to include corporate failure, ratio analysis and evaluation of financial statements. The emerging areas of Fintech, Block Chain and Crypto Currency are examinable at a basic level of comprehension and understanding. It should also be noted that some topics have been transferred to the syllabus of the Performance Management subject.

Format of Examination Paper

There are no changes to the examination timing or format. However, it should be noted that there will be continued emphasis on the presentation of financial information to managers in a clear, concise and understandable format.

Education Focus for 2021

All syllabus sections as per the new syllabus for 2021 continue to be equally relevant and may be examined in the forthcoming diet of examinations in 2021.

Candidates should be aware of business, financial and economic issues that may affect the managerial financial decisions for organisations of different sizes in a range of sectors.

Finally, candidates should avail of the many resources (including webinars, student bulletins etc.) available on the Institute's website that provide information on many of the topics relevant to the subject of Managerial Finance.