

Diploma in Financial Management and Audit

For teaching being rolled out from February 2022 onwards

Version September 2021

This qualification is awarded through CIPFA's Royal Charter



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1. Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body. We are the only such body globally dedicated to public financial management and hold Chartered Status.

Our educational and advisory services support our members, students and other public finance professionals throughout their careers – helping them add value to their teams and the organisations for which they work.

The work of a Chartered Public Finance Accountant is both more complex and more critical to the public sector than at any point in our history. Digital technologies, highly charged political contexts, regulatory reform, climate change, increased service demand and the dramatic arrival of the COVID-19 pandemic – these are all impacting how public financial management, reporting and audit are conducted now and in the future.

At the heart of our mission to build trust by strengthening public financial management is CIPFA's professional accountancy qualification.

This CIPFA Diploma in Financial Management and Audit is the next step to pursuing a career in finance and provides access to further study and career progression.

2. Availability

This qualification is available for approved UK and International Accredited Training Providers (ATPs).

There are four assessment windows per year. Two main sittings following tuition opportunities and two retake opportunities.

3. Support and resources to help teaching and learning

We've worked with experienced teachers to provide you with a range of resources that will help you confidently plan, teach and prepare for exams.

To enable your students to show their breadth of knowledge and understanding, we've created a simple and straightforward structure and layout.

Further information on teaching and learning resources and solutions can be found www.cipfa.org/qualifications/students/cipfa-education-and-training-centre.

4. Qualification information

This Qualification Specification contains what you need to know about the structure, assessment approach and delivery content for the CIPFA Diploma in Financial Management and Audit.

4.1 Qualification objectives

The objective of the CIPFA Diploma in Financial Management and Audit qualification is to provide students with the knowledge and skills required to progress in their professional accountancy career.

The knowledge and skills acquisition offered through achievement of this qualification supports a wide range of transferable skills that can be applied to many different finance and accounting contexts.

This qualification has been developed in partnership with industry experts and employers. It will provide students with a nationally recognised qualification in professional accounting and audit and is suitable for those students:

- Aspiring to become a senior manager in accounting or audit
- That are working in a finance or audit management role and wish to further develop and progress in their career and studies

4.2 Progression

Successful completion of the CIPFA Diploma in Financial Management and Audit provides students with the opportunity for a wide range of academic progression including progression to the CIPFA Diploma in Financial, Governance, Risk and Taxation.

While the majority of students will start their accountancy qualification at the CIPFA Certificate in Management and Financial Accounting of the Professional Accountancy Qualification (PAQ), some may enter directly onto other levels depending on their circumstances such as prior learning, experience or level at which they are currently working.

The CIPFA Diploma in Financial Management and Audit has been developed with career progression and professional recognition in mind.

This qualification offers a recognised milestone qualification for those progressing their careers.

4.3 Qualification structure

This qualification can only be offered by ATPs. No part of this qualification may be altered by ATPs since it will compromise the integrity of our qualification and its respective assessment.

ATPs may not amend learning outcomes, assessment criteria, assessment approach, module or qualification titling or any other regulated guidance, to do so will deem the students' achievement null and void and ATPs may be subject to sanctions by CIPFA.

Qualification Title	CIPFA Diploma in Financial Management and Audit
Start date	02/2022
Total Qualification Time (TQT)	447
Guided Learning Hours (GLH)	114
Credit value	45
Assessment	Externally set, externally marked
Overall grading type	Pass or Not Yet Achieved
Language of assessment	English

5. Total Qualification Time (TQT)

Total Qualification Time (TQT) is the number of notional hours it is estimated that a candidate will take to demonstrate the level of attainment necessary to achieve this qualification from start to finish and includes guided learning hours, self-study, preparation and assessment.

Guided Learning Hours (GLH) is defined as the hours that a teacher, lecturer or other member of staff is available to provide immediate teaching support or supervision to a student working towards a qualification.

The GLH for this qualification are estimated at 114 hours which includes final assessment and the TQT is estimated at 447 hours.

6. Credit value

Credit value is defined as being the number of credits that may be awarded to a student for the successful achievement of the learning outcomes of a module.

One credit is equal to ten hours of TQT.

7. Achieving this qualification

There are three core mandatory modules that comprise this qualification and all must be successfully achieved (mastery) to be awarded the CIPFA Diploma in Financial Management and Audit.

Modules	Total Module Time (TMT)	GLH (approx. hours)	Assessment time (hours)	Credit Value
Audit and assurance	148	30	2.5	15
Business planning and financial management	152	54	2.5	15
Developing strategy and data analysis	148	30	2.5	15
Totals	447	114	7.5	45

If the complete qualification is not achieved, credit can be issued in the form of a statement of stand-alone module credit for those modules that have been passed. This will be subject to the currency of the existing qualification.

7.1 Partial and full achievement of this qualification

All modules that comprise the qualification must be successfully completed within a ten-year period for candidates to be awarded the full qualification.

Students successful in one or two modules only will be awarded module credit certificates. Students can take the modules in any order.

8. Delivering this qualification

CIPFA do not specify the mode of delivery for this qualification, therefore CIPFA ATPs are free to deliver this qualification using any mode of delivery that meets the needs of their students. However, CIPFA ATPs should consider the students' complete learning journey when designing the delivery and formative assessment of programmes.

CIPFA ATPs must ensure that the chosen mode of delivery does not unlawfully or unfairly discriminate, whether directly or indirectly, or bias students and ensure that equality of opportunity is built into all teaching and learning.

GLH which are listed in each module provides ATPs with the expected number of hours of teacher supervised or direct study time likely to be required to deliver the qualification.

9. Language of the assessment

The assessments are delivered and assessed in English. If a student is not from a majority English-speaking country they should provide evidence to their ATP of English language competency in order to be able to access the demands of this qualification and its respective assessment.

For students to achieve success in our qualifications, which are taught and assessed in English, it is essential that they have an appropriate level of English language skills.

The following clarifies the requirements for all ATPs when accepting students onto our qualifications. Those students who have not undertaken their final two years of schooling in English can demonstrate capability in English at a standard equivalent to the levels identified below:

- Common European Framework of Reference (CEFR) level B2
- Pearson Test of English Academic (PTE Academic) 51
- IELTS 5.5; Reading and Writing must be at 5.5

ATPs must determine what evidence will be necessary to prove individual student proficiency prior to registering them with CIPFA.

10. Level equivalencies

This qualification represents the practical knowledge, skills, capabilities and competences that are equivalent in level to the following qualifications:

- Diploma of Higher Education (DipHE)
- Foundation degree
- Higher National Diploma (HND)
- Level 5 award
- Level 5 certificate
- Level 5 diploma
- Level 5 NVQ

Source: www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels

11. Entry guidance

This qualification is designed for students aged 18 plus.

The minimum requirements for studying CIPFA's Professional Qualification at all levels are as follows:

- Three GCSEs, grades A–C (or grades 4 and up), and two A-Levels, grades A–C, or accepted equivalent.
- Scottish, Northern and Southern Ireland equivalents are also accepted. Subjects must include Maths and English at either level.
- BTEC and SCOTVEC national diplomas are also accepted.
- The minimum vocational requirement is NVQ/GNVQ level 3, or Scottish equivalent.

If you do not meet the academic requirements, you can still study if you are 21 or over and have your employer's support and more than three years' relevant work experience. Unless you wish to register as a local auditor in terms of the Local Audit and Accountability Act 2014 this requirement is seven years' relevant work experience.

Further details can be found here:

www.cipfa.org/join/graduate-entry/minimum-entry-requirements

11.1 Graduate entry route

Holders of all university degrees can study to become Chartered Accountants with CIPFA and may formally apply to CIPFA for Chartered Public Finance Accountant (CPFA) status.

11.2 Recognition of Prior Learning (RPL) and exemptions

1. If you have a finance or accountancy related degree, or have passed certain professional body examinations, you may be entitled to exemptions.

Full details can be found here:

www.cipfa.org/qualifications/students/exemptions

2. Fully qualified accountants – Members of other professional accountancy bodies may be entitled to exemptions to become fully-qualified CPFAs.

The number of exemptions will depend on the standing of your qualification and your relevant professional experience in the public sector.

Full details can be found here:

www.cipfa.org/join/joining-from-another-membership-organisation

3. Accelerated route for senior finance professionals

Senior executives in roles with significant financial responsibilities can take our accelerated route to the CIPFA professional accounting qualification in two years.

Further details can be found here:

www.cipfa.org/join/senior-finance-professionals

4. Students who have successfully completed the L7 Accountancy Apprenticeship with CIPFA may apply for relevant exemptions.

Further details can be found here:

www.cipfa.org/qualifications/student-policies-procedures-and-forms

Please also refer to our *Recognition of Prior Learning and Exemptions Policy* www.cipfa.org/qualifications/exemptions

12. Assessment

All modules within this qualification are externally set and marked by CIPFA. Students sit their assessments via an online examination platform.

All modules must achieve a pass mark of 50%. There are no merit or distinction grades, only Not Yet Achieved, or Pass.

The CIPFA Diploma in Financial Management and Audit is comprised of three modules.

For further information on how each module is assessed, please see the detailed table below:

Module	Assessment 1	Marks available	Pass mark	Exam duration
Audit and Assurance	8 Objective questions	40	50	2.5 hours
	4 Scenario based questions	60		
Business Planning and Financial Management	8 Objective questions	40	50	2.5 hours
	4 Scenario computational based questions	60		
Developing Strategy and Data Analysis	Pre-release material and case study (Report and PP)	100	50	2.5 hours

13. Resits

If a student fails a module, they will be able to resit the module they failed in the following assessment window.

CIPFA do not cap the number of times a student is able to resit a module.

Students will always receive a new assessment paper when resitting a module in line with CIPFA's policies and procedures.

All students have ten years in which to complete the PAQ. For apprentices, funding considerations will need to be taken into account in respect of available time to complete the PAQ.

14. Equality, diversity and bias

CIPFA expects all staff and Subject Matter Experts (SMEs) to have due regard to our Equality and Diversity Policy and the requirements of the Equality Act 2010 in relation to our qualifications.

We develop and revise our qualifications to avoid, where possible, any features that might disadvantage students because of any protected characteristics.

If a specific qualification requires a feature that might disadvantage a particular group this will be clarified in the qualification specification.

Our assessments are developed by SMEs and follow a rigorous process of quality assurance and evaluation, including ensuring that they do not represent bias, whether actual or unconscious.

CIPFA ATPs must ensure that the chosen mode of delivery does not unlawfully or unfairly discriminate, whether directly or indirectly, and that equality of opportunity is promoted.

Where it is reasonable and practicable to do so, ATPs must take steps to address identified inequalities or barriers that may arise throughout the duration of the programme delivery.

15. Module structure

Level – this positions the level of the module within the Regulated Qualifications Framework (RQF).

Credit value – is the value given to the module and the credit value is equal to the Total Qualification Time (TQT) divided by ten and rounded to the nearest whole number.

Total Module Time (TMT) – is the average amount of time it will take to complete the module. This includes guided learning hours, practical and work-based learning, assessment preparation time and assessment time.

Module purpose and aim – gives a summary of the purpose of the module.

What you will learn – details the knowledge and skills a learner will cover.

Learning outcomes – set out what a learner will know, understand or be able to do as a result of successful completion, including the standard required to achieve via assessment.

Assessment criteria – set out the assessment requirements for the module.

Indicative content – provides guidance on current curriculum coverage required to achieve the learning outcomes and assessment criteria. It is advised that students cover all of the indicative content throughout the duration of their studies, for success in their synoptic exams.



Modules

Audit and Assurance

Core mandatory

Credit value	15
Module Guided Learning Hours (GLH)	30
Total Module Time (TMT)	148

Module purpose and aim

The Audit and Assurance module provides an introduction to the duties of auditors and the frameworks in which they operate. Referring to and building on the knowledge gained in the ethics e-learning, this module explores the application of ethical principles to audit work. It considers the key regulatory, ethical and professional arrangements and the contribution of audit to good governance.

Assessment: Online examination, 2.5 hours – objective and scenario-based questions.

What has changed: This module builds on the content delivered in the ethics e-learning and focuses on the expected standards of ethical behaviour in audit work and the requirements of applicable standards. There is a greater emphasis on risk and internal audit and on the impact of big data and data analytics on audit procedures. Scenario-based questions have been introduced to the assessment methodology.

Assessment weighting across the learning outcomes

Syllabus area	Learning outcome	Weighting
Audit environment	Understand the scope, regulatory and ethical environment within which audits are performed	20%
Risk assessment and planning	Understand the risk assessment and planning procedures required by relevant auditing standards	20%
Audit testing	Be able to apply the requirements of audit programmes to obtain sufficient and appropriate audit evidence including for: Internal controls and Design of audit tests.	15%
Audit evidence	Be able to interpret audit evidence to form audit opinions	15%
Audit finalisation	Understand the preparation of working papers to document audit finalisation procedures performed	15%
Internal audit	Understand the role of internal audit and describe the performance of internal audit tasks	15%

Module	Assessment 1	Marks available	Pass mark
Audit and Assurance	8 Objective questions	40	50
	4 Scenario based questions	60	

Learning Outcomes and Assessment Criteria

LO1	Understand the scope, regulatory and ethical environment within which audits are performed
AC1.1	Explain the concepts of audit and assurance
AC1.2	Explain the provisions relating to audits in the public and private sectors
AC1.3	Explain the scope of internal and external audits
AC1.4	Discuss the importance of expected standards of ethical behaviour in audit work and the requirements of applicable standards
AC1.5	Explain the quality control requirements for an audit and for obtaining professional appointments
AC1.6	Explain corporate governance requirements and their impact on audit work

Indicative Content

Concepts of audit and assurance

- Objectives of external audit and other assurance engagements
- Levels of assurance and concept of reasonable assurance
- Accountability and stewardship
- True and fair presentation
- The assurance engagement process

Provisions relating to audits in the public and private sectors

- General requirements relating to the provision of internal and external audit services
- Auditor's rights and duties
- Auditor's liability including criminal liability and liability to third parties
- Impact of International Standards on Auditing (ISAs) on external audit work
- Company audit requirements
- Fundamental principles of public sector auditing
- Public sector audit frameworks
- International Standards of Supreme Audit Institutions (ISSAIs)

Scope of internal and external audits

- Basic tenets and concepts of internal and external audit work
- Power and authority available to internal and external auditors
- Concepts of independence and objectivity
- Materiality

Importance of ethical behaviour in audit work and identify the requirements of applicable standards

- Professional, ethical and legal principles relating to auditor behaviour
- Ethical principles, their associated threats and safeguards and their relevance in an audit and assurance context
- IESBA Code of Ethics for Professional Accountants
- CIPFA Standard of Professional Practice (SoPP) on Ethics

Quality control requirements for an audit and for obtaining professional appointments

- Good practice in quality control as presented in quality control standards
- Tendering for professional engagements including the setting of fees
- Matters to be considered before accepting an engagement
- Agreeing the scope of the engagement
- The audit engagement letter

Corporate governance requirements and their impact on audit work

- Objectives of corporate governance
- Structure and role of an Audit Committee
- Contribution of internal and external auditors to corporate governance, in particular through their relationship with the Audit Committee
- Regulations affecting audit and governance in public sector organisations

LO2	Understand the risk assessment and planning procedures required by relevant auditing standards
AC2.1	Explain the objectives and general principles of audit planning and risk assessment
AC2.2	Explain the audit assurance model underpinning the ISA approach to the conduct of audits
AC2.3	Summarise the information required for the risk assessment process
AC2.4	Discuss identified audit risks and their implications

Indicative Content

Objectives and general principles of audit planning and risk assessment

- Agreeing the terms of audit engagements
- Audit strategy and audit planning
- Purpose of interim and final audits
- Impact of interim audit work on the final audit
- Documenting the audit plan

Audit assurance model underpinning the ISA approach to the conduct of audits

- Definition of audit risk
- Importance of professional scepticism
- Role of professional judgement

Information required for the risk assessment process

- Understanding of the organisation and its control environment
- Fraud risks and the related internal controls established
- Evaluation of the design and implementation of internal controls
- Preliminary analytical procedures
- Matters arising from audit team meeting proceedings
- Using the work of internal auditors

Audit risk and their implications

- Identification of risk at the financial statement level
- Identification of risk at the assertion level
- Determination of potential misstatements in respect of each assertion
- Nature of significant risk and required audit responses
- Setting of planning and performance materiality

LO3	Be able to apply the requirements of audit programmes to obtain sufficient and appropriate audit evidence including for: <ul style="list-style-type: none">• Internal controls• Design of audit tests
AC3.1	Consolidate overall audit responses to address assessed risks at both the financial statement and the assertion level
AC3.2	Apply internal controls in relation to the design of appropriate audit tests including the requirements for audit working papers
AC3.3	Interpret the role of audit in an IT environment in relation to selecting and evaluating audit evidence

Indicative Content

Audit response to address assessed risks at both the financial statement and the assertion level

- Use of experienced staff
- Enhanced supervision
- Changes in nature, timing and extent of audit tests
- Considerations regarding the control environment
- Focus on potential misstatements or key control deficiencies
- Role of controls testing
- Role of substantive testing
- Use of a combined testing approach

Internal controls in relation to the design of appropriate audit tests including the requirements for audit working papers

- Tests of internal controls
- Evaluation of control deficiencies
- Substantive analytical procedures
- Substantive tests of detail
- Internal control procedures for key transactions and processes
- Use of audit sampling
- Using the work of internal auditors
- Using the work of experts

Role of audit in an IT environment in relation to selecting and evaluating audit evidence

- Risks of auditing in an IT environment
- Specialist software for sample selection and testing
- The impact of big data and data analytics on audit procedures

LO4	Be able to interpret audit evidence to form audit opinions
AC4.1	Interpret the sufficiency and appropriateness of audit evidence obtained
AC4.2	Discuss the issues that an auditor would consider when assessing control deficiencies or whether unadjusted misstatements are material, individually or in aggregate

Indicative Content

Sufficiency and appropriateness of audit evidence obtained

- Relevance and reliability
- Importance of obtaining written representations
- Approach to corroborating and conflicting evidence
- Response to insufficient evidence

Issues that an auditor would consider when assessing control deficiencies or whether unadjusted misstatements are material, individually or in aggregate

- The size and nature of misstatements
- The nature of control deficiencies
- Communications with management and those charged with governance
- Protocols relating to the correction of errors or addressing control deficiencies

LO5	Be able to prepare working papers to document audit finalisation procedures performed
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AC5.1	Apply audit finalisation procedures
AC5.2	Summarise the requirements for the audit close-down process including auditor reporting

Indicative Content

Audit finalisation procedures

- Final analytical procedures
- Subsequent events review
- Going concern review

Requirements for the audit close-down process and discuss auditor reporting

- Overall review of audit evidence
- Communication within the audit function and engagement quality control
- The auditor's report on the financial statements of companies
- Auditor's opinion on financial statements
- Reporting to stakeholders on identified deficiencies in internal controls
- Auditor's reports in the public sector

LO6	Understand the role of internal audit and the performance of internal audit tasks
AC6.1	Explain the scope and contribution of internal audit work to an organisation
AC6.2	Assess internal audit techniques used in the review of internal control and the contribution of specialist internal audit engagements

Indicative Content

Scope and contribution of internal audit work to an organisation

- Scope of internal audit activity within the public services and the private sector
- The statutory requirement for internal audit in the public sector
- Role of internal audit as a contributor to the management and governance of an organisation
- The impact of regulatory and professional frameworks, including Public Sector Internal Audit Standards, on the conduct of internal audit
- Application of ethical principles to internal audit work
- Independence and objectivity of internal audit
- Internal audit planning
- Internal audit reports

Audit techniques used in the review of internal control and the contribution of specialist internal audit engagements

- Internal audit of internal control
- Contract audit
- Fraud investigations
- Performance audit
- Environmental audit

Business Planning and Financial Management

Core mandatory

Credit value	15
Module Guided Learning Hours (GLH)	54
Total Module Time (TMT)	152

Module purpose and aim

The Business Planning and Financial Management module explores the complex and inter-related environment in which an organisation operates and how to manage an organisation's finances within the context of that environment. Students will learn how to evaluate the alternative courses of actions available, from short-term financing of working capital to longer-term investments. Investment appraisal is explored and there is a focus on discounted cashflows techniques. Recent developments such as blockchain, cryptocurrencies and artificial intelligence are introduced in this module before being discussed in more detail in the Diploma in Financial Governance, Risk and Taxation.

Assessment: Online examination, 2.5 hours – objective and scenario-based questions.

What has changed: This module is equivalent to the PQ's Financial Management module. Business Planning and Financial Management has a revised focus on the use of big data and data analytics in financial management. Technology developments such as cloud computing, cyber risk and security, internet of things, mobile and communication technology, automation and artificial intelligence, blockchain and cryptocurrencies have been added to reflect changes in the sector. Socially responsible investments are also now considered. The use of spreadsheets has been introduced to the assessment methodology.

Assessment weighting across the learning outcomes

Syllabus area	Learning outcome	Weighting
Financial management financial institutions and sources of finance	Understand the role of financial management and the economic environment in which organisations operate	10%
Treasury management	Be able to apply the tools and techniques used to manage financial risk in relation to treasury management	15%
Technology	Understand the impact of technology on financial management including the characteristics, uses and risks of different technologies	15%
Investment appraisal and risk management	Be able to apply financial investment appraisal techniques used to evaluate capital projects and assess risk	30%
Pricing	Be able to calculate external and internal prices taking account of relevant economic and organisational factors	15%
Working capital management	Understand effective working capital management techniques	15%

Module	Assessment 1	Marks available	Pass mark
Business Planning and Financial Management	8 Objective questions	40	50
	4 Scenario computational based	60	

Learning Outcomes and Assessment Criteria

LO1	Understand the role of financial management and the economic environment in which organisations operate
AC1.1	Discuss the role of financial management within an organisation and the factors influencing the development of a financial strategy
AC1.2	Explain the economic environment in which organisations operate
AC1.3	Evaluate the principles of financial funding and structure including the relative merits of different funding sources
AC1.4	Explain the role and function of the main financial institutions and markets that facilitate financing

Indicative Content

Role of financial management within an organisation and the factors influencing the development of a financial strategy

- Definition and role of financial strategy and financial management
- Financial institutions and markets which facilitate financing, including the relative merits of sources of finance available
- Economic goals and objectives of stakeholders and shareholder wealth
- Concept of shareholder wealth maximisation (calculate total shareholder return) and explanation of VFM (3Es).

Economic environment in which organisations operate

- Definition of economic environment
- Macroeconomic issues and theories
- Macroeconomic policy targets and the impact of fiscal, monetary, interest rate and exchange rate policy
- Purchasing power parity and interest rate power parity and theories
- Market failure: examples and government intervention

Principles of financial funding and structure including the relative merits of different funding sources

- Organisational financial structure
- Sources of short- and long-term finance, and decision of most appropriate source
- Rights and bonus issues
- Internal sources of finance and dividend policies
- Approaches to raising finance – Islamic finance, venture capital and crowdfunding
- Impact of financing on financial performance indicators for profitability, liquidity and risk
- Calculation of simple and compound interest with worked examples including compound interest loan repayments
- Organisational dividend policies

Role and function of the main financial institutions and markets that facilitate financing

- Money and capital markets
- Efficient market hypothesis
- Financial intermediaries, including investment exchanges and commercial banks
- Foreign exchange markets
- Role of central banks
- Socially responsible investments

LO2	Be able to apply the tools and techniques used to manage financial risk in relation to treasury management
AC2.1	Evaluate the role of treasury management
AC2.2	Assess the financial risk factors affecting organisations
AC2.3	Assess the use of financial instruments to hedge against interest rate risk for a given hedging requirement using the most appropriate strategy
AC2.4	Assess the use of financial instruments to hedge against FOREX risk for a given hedging requirement using the most appropriate strategy

Indicative Content

Role of treasury management

- The main activities of the treasury function
- Importance of cash flow forecasting in managing shortages and surpluses
- The factors leading to short- and long-term liquidity surpluses and deficits
- Outsourcing the treasury function and the use of shared services

Financial risk factors affecting organisations

- Types of financial risk
- Mitigation of risk including the four T's
- Financial trends: market volatility, bull and bear markets
- Interpretation of yield curves
- Managing interest rate risk – insurance and credit default swaps

Use of financial instruments to hedge against interest rate risk

- Interest rate forward rate agreements
- Interest rate swaps
- Interest rate options – floors and caps

Use of financial instruments to hedge against FOREX risk

- Forward markets and use of forward contracts and synthetic forwards (money market hedges)
- Synthetic agreement for forward exchange (SAFE)
- Exchange-traded currency futures contracts
- Currency swaps
- Currency options and how they may be used to manage transaction risk

LO3 Understand the impact of technology on financial management including the characteristics, uses and risks of different technologies

AC3.1 Evaluate the characteristics, use and benefits of big data and data analytics

AC3.2 Explain the impact of technology on financial management

Indicative Content

Characteristics, use and benefits of big data and data analytics

- The four types of data analytics
- Characteristics of big data – the four V's
- Uses of data analytics by organisations
- Benefits, challenges and risks of big data and data analytics

Impact of technology on financial management

- Cloud computing characteristics, uses, benefits and risks
- Cyber risk and security
- Internet of things, mobile and communication technology
- Automation and artificial intelligence
- Blockchain
- Cryptocurrencies

LO4	Be able to apply financial investment appraisal techniques used to evaluate capital projects and assess risk
AC4.1	Explain the process of appraising the viability of capital projects
AC4.2	Apply investment appraisal techniques to capital expenditure decisions including discussion of usefulness
AC4.3	Prepare an optimal investment plan taking into account additional financial constraints, including discussion of usefulness
AC4.4	Calculate and interpret the cost of capital
AC4.5	Apply appropriate techniques to measure the effect of risk in capital expenditure and other decision making

Indicative Content

Process of appraising the viability of capital projects

- The difference between revenue and capital expenditure
- Relevant cashflows in investments appraisal
- Taking account of risk and uncertainty

Investment appraisal techniques to capital expenditure decisions including discussion of usefulness

- Discounting – the time value of money and the link to cost of capital
- Net present value
- Payback and discounted payback
- Accounting rate of return
- Internal rate of return

Optimal investment plan taking into account additional financial constraints, including discussion of usefulness

- Mutual exclusivity of projects – the asset replacement cycle and annual equivalent cost analysis
- Impact of inflation – using real and money cost of capital
- Taxation including capital allowances
- Capital rationing – numerical analysis for single period capital rationing; discussion of issues for multi-period capital rationing
 - Divisible and non-divisible projects
- Lease versus buy decisions

Cost of capital

- The risk return relationship of different sources of finance
 - Systematic and unsystematic risk
 - Different sources of finance
 - Link to WACC
- The cost of equity including the dividend valuation model (DVM) and the capital asset pricing model (CAPM)
- The cost of debt and other capital instruments
 - Irredeemable
 - Redeemable – use of IRR technique
- The overall weighted average cost of capital
 - Link to cost of equity and debt
 - Calculation of WACC steps
- Risk adjusted discount rates
 - Four steps to take account of a project's risk
- Capital structure theory – Traditional v Modigliani and Miller
 - Modigliani and Miller without tax and with tax
 - Diagrams showing K_d , K_e and WACC
- Practical consideration affecting the financing decision

Techniques to measure the effect of risk in capital expenditure and other decision making

- Risk and uncertainty
 - The difference between risk and uncertainty
 - Objective and subjective probability values
 - Probability theory – addition and multiplication rules
- Attitudes to risk
 - Risk seeker, risk averse, regret averse, risk neutral
 - Models for incorporating risk – maximax, maximin, minimax regret and expected monetary value
 - Value of perfect information
 - Use of technology

- Decision trees
 - Forward and backward passes
 - Identification of symbols used
 - Link to expected values
- Sensitivity analysis calculations and optimism bias
 - Sensitivity analysis link to present value and use of technology
- Use of simulation (no calculations required)

LO5	Be able to calculate external and internal prices taking account of relevant economic and organisational factors
AC5.1	Calculate external prices and the suitability of a given pricing strategy taking into account internal and external factors
AC5.2	Calculate transfer prices, including the related issues and the impact of transfer pricing on divisional performance and investment decisions

Indicative content

External prices and the suitability of a given pricing strategy taking into account internal and external factors

- Market-based pricing – market penetration, price skimming, psychological pricing
- Incremental pricing and marginal cost pricing
- Price elasticity of demand
 - Definition
 - Elastic and non-elastic demand
- Optimal profit pricing models
 - Profit maximising price using tabular and differential calculus methods
 - Definition of demand curve
 - Disadvantages of optimum pricing model
- Differential pricing
- Price stability and government intervention
 - Market equilibrium
 - Government intervention

Transfer prices, including the related issues and the impact of transfer pricing on divisional performance and investment decisions

- Appraising divisional performance
 - Decentralisation – benefits and disadvantages
- Principles of transfer pricing
 - Three primary objectives

- Methods used to set a transfer price and the impact on divisional decision making
 - Approaches to set transfer prices including market based, cost based (full, marginal, cost plus, marginal cost plus fixed fee, marginal cost plus opportunity cost), centrally imposed and dual pricing
 - Perfectly competitive/imperfect markets and problem of efficient/market-based transfer pricing
- Transfer pricing issues in multi-national organisations
 - Issues in multi-national organisations including tax mitigation

LO6 Understand effective working capital management

AC6.1 Examine the scope of working capital management

AC6.2 Apply techniques to manage working capital

Scope of working capital management

- Role of working capital
 - Definition of working capital and its elements
- Handling and transmitting cash
 - Reasons for holding cash
 - Cashflow forecast receipts and payments
 - Advantages and disadvantages of alternative payment methods

Techniques to manage working capital

- Management of a working capital cycle
 - Calculations and interpretation of inventory period, trade payables period, trade receivables period and the cash conversion cycle
 - Working capital policies – conservative and aggressive policies
 - Objectives of working capital management
- Working capital ratios, and interpretation of results
- Management of receivables and payables
 - How organisations may improve their receivables position (eg credit vetting, follow up procedures)
 - Types of factoring (confidential, non-recourse, invoice discounting)
 - Aims of payables management
- Cost of offering and accepting early payment discounts
- Inventory management models: economic order quantities (EOQ) (including evaluation of discounts) and re-order levels
 - Definition of inventory, including types of inventory (raw materials, work in progress and finished goods)
 - Definition of buffer/safety inventory
 - Calculation and interpretation of EOQ (including bulk discounts) and re-order level models
 - Assumptions of EOQ model
- Cash management models
 - Baumol model, linking to EOQ model
 - Target balance including upper limit and average balance using Miller Orr model

Developing Strategy and Data Analysis

Core mandatory

Credit value	15
Module Guided Learning Hours (GLH)	30
Total Module Time (TMT)	148

Module purpose and aim

The Developing Strategy and Data Analysis module explores the ways that organisations develop the strategies that drive their actions. Models are introduced to assess an organisation's existing strategic position, taking into account the external environment to identify opportunities and threats, and the internal environment in terms of resources and capabilities to assess its strengths and weaknesses. The impact stakeholders and stakeholder analysis have on strategic development is covered, as is the nature of stakeholder value – their business, economic, public and social value. The models used to generate and select strategic options are considered and there is a focus on the role of innovation in strategy development, the ethical considerations in strategy evaluation and choice and the importance of digital strategies and the different forms of entrepreneurship. The module is particularly linked to the Implementing Business Change, Governance and Risk Management, Financial Management and Strategic Public Financial Management modules.

Assessment: Online examination, 2.5 hours – pre-seen case study.

What has changed: This module is equivalent to the PQ's Strategy and Policy Development module, but some changes have been made. New content on entrepreneurship and innovation, including the impact of disruptive innovation, has been added. The digital technology options that can form part of organisational strategy have also been added, covering cloud and mobile technology, big data and data analytics, process automation, artificial intelligence, blockchain, cryptocurrencies, internet of things and agile working and organisations. This module will be assessed by a pre-seen case study to better prepare students for the final Strategic Case Study examination.

Assessment weighting across the learning outcomes

Syllabus area	Learning outcome	Weighting
Strategy and policy development	Be able to develop strategy and policy development including framework development	25%
Strategic position – internal analysis	Be able to prepare internal analyses of organisations and their strategic position	25%
Innovation and digital strategy	Understand the nature of entrepreneurship and innovation and the technology options that can form part of organisation’s digital strategy	25%
Generating and evaluating strategic options	Understand models and approaches used to inform strategic option generation and how to apply them	25%

Module	Assessment 1	Marks available	Pass mark
Developing Strategy and Data Analysis	Pre-release material and case study (Report and PP)	100	50

Learning Outcomes and Assessment Criteria

LO1	Be able to develop strategy and policy development including framework development
AC1.1	Evaluate the meaning and imperatives behind strategy including framework development
AC1.2	Apply relevant models used as part of assessing an organisation's strategic position

Indicative content

Meaning and imperatives behind strategy and explain the framework for its development

- Nature of strategy
- Levels of strategy
- Strategy versus policy
- Approaches to strategy development – deliberate and emergent
- Differences in strategy between the public and private sectors
- Organisational mandates

Models used as part of assessing an organisation's strategic position

- Nature of globalisation
- Layers of the business environment – macro, industry, market, competitors
- PESTEL analysis
- Industry life cycle
- Identifying and forecasting drivers for change in environmental factors
- Environmental uncertainties, scenario analysis and planning
- Analysis of competitive forces – Porter's Five Forces model, complementors and networks
- Competitors and customer analysis
- Porter's Diamond
- Critical success factors

LO2	Be able to prepare internal analyses of organisations and their strategic position
AC2.1	Apply relevant models to prepare and evaluate an internal analysis of an organisation as part of determining its strategic position
AC2.2	Analyse the impact of stakeholders on organisational strategy
AC2.3	Evaluate an organisation's strategic position by combining external and internal analyses

Indicative Content

Relevant models to prepare and evaluate an internal analysis of an organisation as part of determining its strategic position

- Resource based view of strategy development
- Threshold and distinctive resources and capabilities, core competences, dynamic capabilities, organisational knowledge as a capability
- Resource audit
- VRIO analysis of resources and capabilities
- Value chain analysis, value systems and value drivers
- Applying benchmarking to analyse resources and capabilities
- Product life cycle analysis
- Boston matrix and public sector matrix
- Organisational culture – analysis and impact on strategy

Impact of stakeholders on organisational strategy

- Types of stakeholders
- Nature of stakeholder value – business, economic, public and social value and application of Moore's strategic triangle
- Stakeholder mapping – power/interest matrix, including analysis of stakeholder power sources

Organisation's strategic position by combining the external and internal analyses

- SWOT analysis, for summarising strategic position, consideration of competitors, use of TOWS matrix for option generation
- Organisational mission, vision and core values
- Gap analysis and strategic drift

LO3	Understand the nature of entrepreneurship and innovation and the technology options that can form part of organisation's digital strategy
AC3.1	Discuss the nature of innovation and its relevance to strategy development
AC3.2	Discuss different digital technologies and their implications for organisational strategy

Indicative Content

Nature of innovation and its relevance to strategy development

- Nature of entrepreneurship, intrapreneurship and social entrepreneurship
- Steps in the entrepreneurial process
- Stages of entrepreneurial growth
- Technology push or market pull innovation
- Product or process innovation
- Open or closed innovation
- Diffusion of innovation
- Innovators versus imitators, first mover advantages and disadvantages
- Impact of disruptive innovation on incumbent organisations

Digital technologies and their implications for organisational strategy

- Strategic need to continue exploring new technology opportunities
- Features, purposes and challenges of a digital strategy
- Digital business models – value creation, configuration and capture
- Types of digital business model, disruptive and resilient models
- Specific technologies – strategic applications, impact, benefits and risks, including:
 - Cloud and mobile technology
 - Big data and data analytics
 - Process automation
 - Artificial intelligence
 - Blockchain, cryptocurrencies
 - Internet of things
 - Agile working and organisations

LO4	Understand models and approaches used to inform strategic option generation and how to apply them
AC4.1	Assess models of strategic option generation
AC4.2	Evaluate different corporate strategy options
AC4.3	Discuss the factors to take into account when evaluating and selecting strategic options
AC4.4	Evaluate the main elements of a marketing strategy

Indicative Content

Models of strategic option generation

- Porter's generic competitive strategies – cost leadership, differentiation, focus, hybrid
- Strategy clock
- Interactive strategies – impact of competitors
- Miles and Snow strategy stances

Different corporate strategy options


- Ansoff's corporate strategy matrix – growth and diversification options
- Integration versus outsourcing
- Divestment options
- Corporate parenting
- Portfolio directional policy analysis – GE-McKinsey nine box matrix
- Strategic development options – internal development, mergers/ acquisitions, strategic alliances

Factors to take into account when evaluating and selecting strategic options

- Methods and criteria for assessing strategic options:
 - Suitability
 - Acceptability
 - Feasibility
- Ethical considerations in strategy evaluation and choice
- McKinsey 7S framework
- Objectives, critical success factors and targets

Main elements of a marketing strategy

- Nature of marketing, marketing mix – products 4Ps; services 7Ps models
- Digital marketing, 6Is model
- Branding strategies, online branding, responding to negative brand issues, impact of unethical behaviour
- Market segmentation, targeting and positioning



77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

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