



ACCA

Advanced Financial Management (AFM)

Syllabus and study guide

September 2022 to June 2023

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session

Think Ahead

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1. Intellectual levels

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1:	Knowledge and comprehension
Level 2:	Application and analysis
Level 3:	Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Applied Knowledge, the Applied Skills and the Strategic Professional exams are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant learning outcome. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with Applied Knowledge, level 2 equates to Applied Skills and level 3 to Strategic Professional, some lower level skills can continue to be assessed as the student progresses through each level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

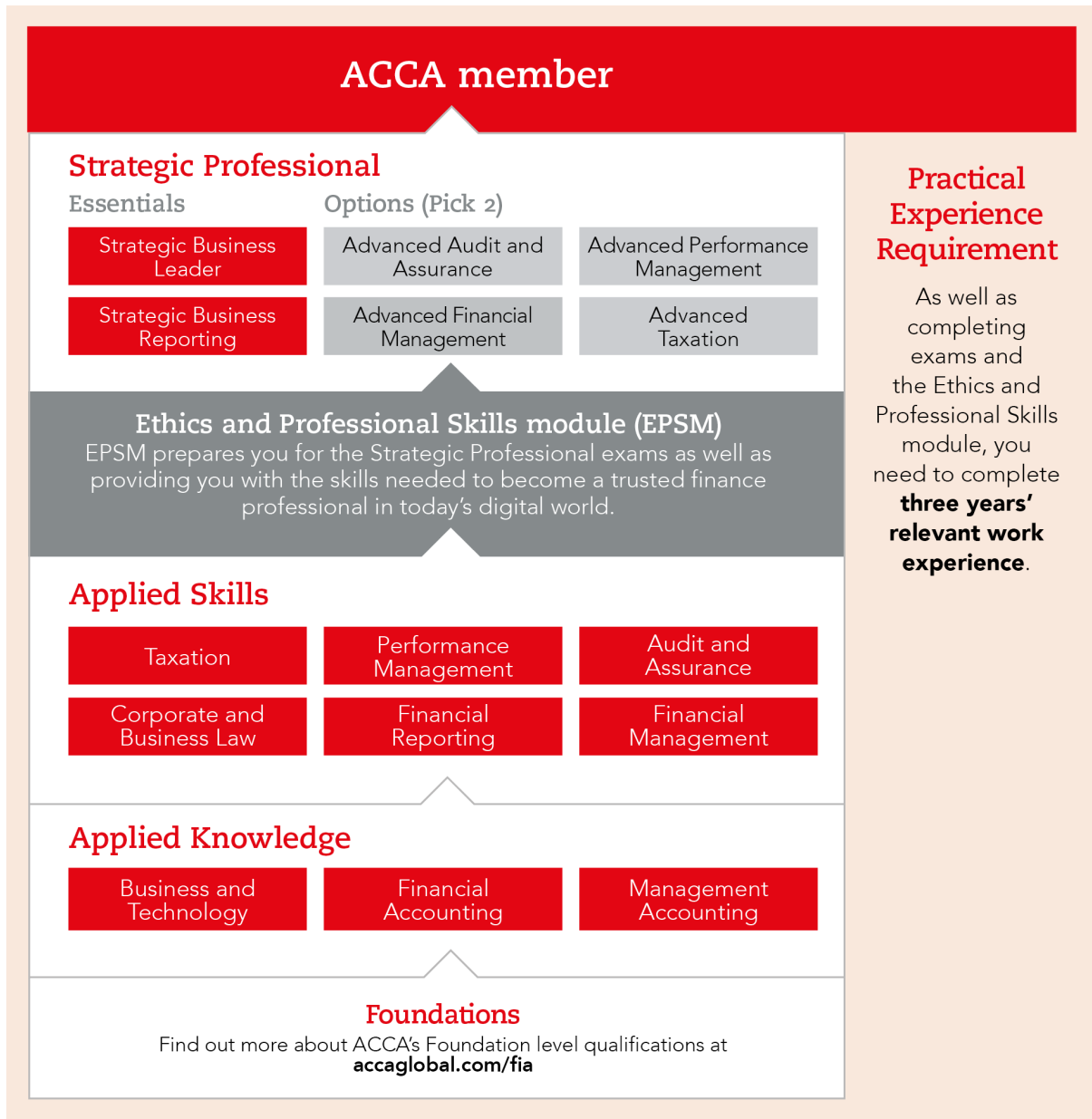
2. Learning hours and education recognition

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualification is recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualification is currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus is organised into main subject area headings which are further broken down to provide greater detail on each area.

3. The structure of ACCA qualification



*See accaglobal.com for details

4. Guide to ACCA examination structure and delivery mode

The pass mark for all ACCA Qualification examinations is 50%.

The structure and delivery mode of examinations varies.

Applied Knowledge

The Applied Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. These are assessed by a two-hour computer based examination.

Applied Skills

The Corporate and Business Law exam is a two-hour computer-based objective test examination for English and Global.

For the format and structure of the Corporate and Business Law or Taxation variant exams, refer to the 'Approach to examining the syllabus' section of the relevant syllabus and study guide.

The other Applied Skills examinations (PM, TX-UK, FR, AA, and FM) contain a mix of objective and longer type questions with a duration of three hours for 100 marks. These are assessed by a three hour computer-based exam. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

The longer (constructed response) question types used in the Applied Skills exams (excluding Corporate and Business Law) require students to effectively mimic what they do in the workplace. Students will need to use a range of digital skills and demonstrate their ability to use spread sheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These assessment methods allow ACCA to focus on testing students' technical and application skills, rather than, for example, their ability to perform simple calculations.

Strategic Professional

Essentials:

Strategic Business Leader is ACCA's case study examination at Strategic Professional and is examined as a closed book exam of four hours, including reading, planning and reflection time which can be used flexibly within the examination. There is no pre-seen information and all exam related material, including case information and exhibits are available within the examination. Strategic Business Leader is an exam based on one main business scenario which involves candidates completing several tasks within which additional material may be introduced. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 Professional Skills marks.

Strategic Business Reporting is a three-hour 15 minutes exam. It contains two sections and all questions are compulsory. This exam contains four professional marks.

Options:

The Strategic Professional Options are all three hours and 15 minutes computer-based exams. All contain two sections and all questions are compulsory.

From September 2022, AFM, APM and AAA will contain a total of 80 technical marks and 20 Professional Skills marks.

From June 2023, ATX will similarly contain a total of 80 technical marks and 20 Professional Skills marks.

The question types used at Strategic Professional require students to effectively mimic what they would do in the workplace. These exams offer ACCA the opportunity to focus on the application of knowledge to scenarios, using a range of tools including word processor, spreadsheets and presentation slides - not only enabling students to demonstrate their technical and professional skills but also their use of the technology available to today's accountants.

Time management

ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start producing their answer.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

5. Guide to ACCA examination assessment

ACCA reserves the right to examine any learning outcome contained within the study guide. This includes knowledge, techniques, principles, theories, and concepts as specified. For the financial accounting, audit and assurance, law and tax exams except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For most examinations (not tax), regulations **issued** or legislation **passed** on or before 31 August annually, will be examinable from 1 September of the following year to 31 August of the year after that. Please refer to the examinable documents for the examination (where relevant) for further information.

Regulations issued or legislation passed in accordance with the above dates will not be examinable if the **effective** date is in the future, unless explicitly stated otherwise in the syllabus and study guide or examinable documents.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

For **UK** tax exams, examinations falling within the period 1 June to 31 March will generally examine the Finance Act which was passed in the previous year. Therefore, exams falling in the period 1 June 2022 to

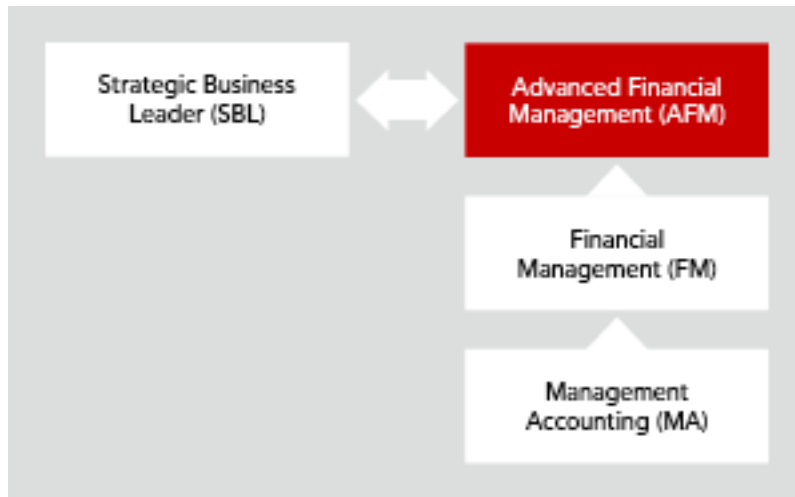
31 March 2023 will examine the Finance Act 2021 and any examinable legislation which is passed outside of the Finance Act before 31 May 2021.

For additional guidance on the examinability of specific tax rules and the depth in which they are likely to be examined, reference should be made to the relevant Finance Act article written by the examining team and published on the ACCA website.

None of the current or impending devolved taxes for Scotland, Wales, and Northern Ireland is, or will be, examinable.

6. Relational diagram linking Advanced Financial Management (AFM) with other exams

This diagram shows links between this exam and other exams preceding or following it. Some exams are directly underpinned by other exams such as Advanced Financial Management with Financial Management. This diagram indicates where students are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.



7. Approach to examining the syllabus

The Advanced Financial Management exam builds upon the skills and knowledge examined in the Financial Management exam. At this stage candidates will be expected to demonstrate an integrated knowledge of the subject and an ability to relate their technical understanding of the subject to issues of strategic importance to the organisation. The study guide specifies the wide range of contextual understanding that is required to achieve a satisfactory standard at this level.

- Communication
- Analysis and Evaluation
- Scepticism
- Commercial Acumen

Examination Structure

The syllabus is assessed by a three-hour 15 minutes examination.

Section A

Section A will always be a single 50 mark case study. The 50 marks will comprise of 40 technical marks and 10 professional skills marks. All of the professional skills will be examined in Section A.

Candidates should understand that they will be expected to undertake calculations, draw comparison against relevant information where appropriate, analyse the results and offer recommendations or conclusions as required.

Financial managers are required to look across a range of issues which affect an organisation and its finances, so candidates should expect to see the case study focus on a range of issues from at least two syllabus sections from A - E. These will vary depending on the business context of the case study.

Section A questions will ask candidates to produce a response in a specific format, for example a report to the Board of Directors.

Section B

Section B will consist of two compulsory 25 mark questions. All section B questions will be scenario based and contain a combination of calculation and narrative marks. There will not be any wholly narrative questions. The 25 marks will comprise of 20 technical marks and 5 professional skills marks. Section B questions will contain a combination of professional skills appropriate to the question. Each question will contain a minimum of two professional skills from Analysis and Evaluation, Scepticism and Commercial Acumen.

All topics and syllabus sections will be examinable in either section A or section B of the exam, but every exam will have question(s) which have a focus on syllabus sections B and E.

Total 100 marks

8. Introduction to the syllabus

The aim of the syllabus is to apply relevant knowledge, skills and exercise professional judgement as expected of a senior financial executive or advisor, in taking or recommending decisions relating to the financial management of an organisation in private and public sectors.

This syllabus develops upon the core financial management knowledge and skills covered in the Financial Management syllabus and prepares candidates to advise management and/or clients on complex strategic financial management issues facing an organisation.

The syllabus starts by exploring the role and responsibility of a senior executive or advisor in meeting competing needs of stakeholders within the business environment of multinationals. The syllabus then re-examines investment and financing decisions, with the emphasis moving towards the strategic consequences of making such decisions in a domestic, as well as international, context. Candidates are then expected to develop further advisory skills in planning strategic acquisitions and mergers and corporate re-organisations.

The next part of the syllabus re-examines, in the broadest sense, the existence of risks in business and the sophisticated strategies which are employed in order to manage such

risks. It builds on what candidates would have covered in the Financial Management syllabus.

The professional skills section of the syllabus links to all others and provides a range of professional skills which the candidate must demonstrate in the exam. These professional skills will make candidates more employable, or if already in work, will enhance their opportunities for advancement.

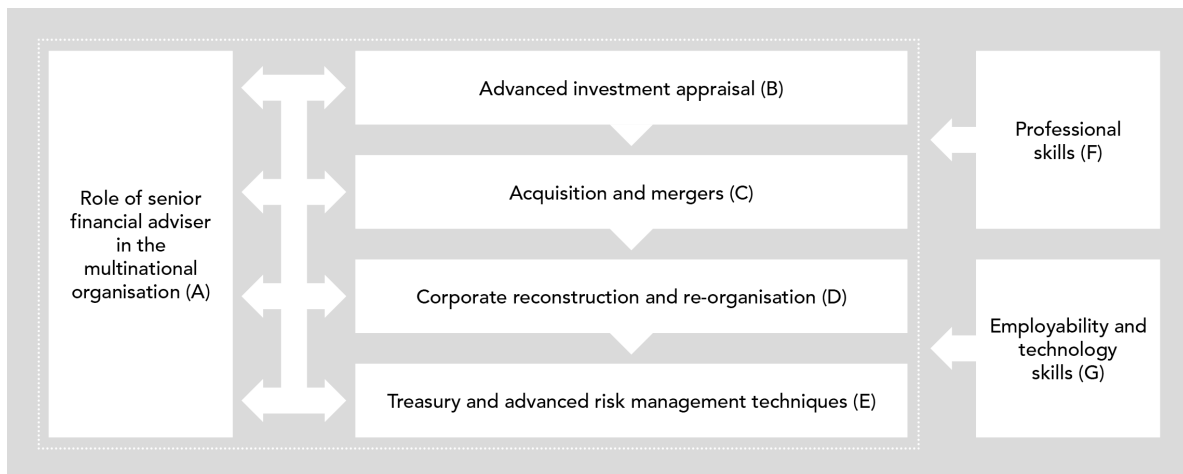
Section G of the syllabus contains outcomes relating to the demonstration of appropriate digital and employability skills in preparing for and taking the AFM examination. This includes being able to access and open exhibits, requirements and response options from different sources and being able to use the relevant functionality and technology to prepare and present response options in a professional manner. These skills are specifically developed by practicing and preparing for the AFM exam, using the learning support content for computer-based exams available via the practice platform and the ACCA website and will need to be demonstrated during the live exam.

9. Main capabilities

On successful completion of this exam, candidates should be able to:

- A Explain and evaluate the role and responsibility of the senior financial executive or advisor in meeting conflicting needs of stakeholders and recognise the role of international financial institutions in the financial management of multinationals
- B Evaluate potential investment decisions and assessing their financial and strategic consequences, both domestically and internationally
- C Assess and plan acquisitions and mergers as an alternative growth strategy
- D Evaluate and advise on alternative corporate re-organisation strategies
- E Apply and evaluate alternative advanced treasury and risk management techniques
- F Apply a range of professional skills in addressing requirements within the Advanced Financial Management exam, and in preparation for, or to support, current work experience
- G Demonstrate employability and technology skills

Relational diagram of the main capabilities



This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

10. The syllabus

A Role of senior financial adviser in the multinational organisation

1. The role and responsibility of senior financial executive/advisor
2. Financial strategy formulation
3. Ethical and governance issues
4. Management of international trade and finance
5. Strategic business and financial planning for multinational organisations
6. Dividend policy in multinationals and transfer pricing

B Advanced investment appraisal

1. Discounted cash flow techniques
2. Application of option pricing theory in investment decisions
3. Impact of financing on investment decisions and adjusted present values
4. Valuation and the use of free cash flows
5. International investment and financing decisions

C Acquisitions and mergers

1. Acquisitions and mergers versus other growth strategies
2. Valuation for acquisitions and mergers
3. Regulatory framework and processes
4. Financing acquisitions and mergers

D Corporate reconstruction and re-organisation

1. Financial reconstruction
2. Business re-organisation

E Treasury and advanced risk management techniques

1. The role of the treasury function in multinationals
2. The use of financial derivatives to hedge against forex risk
3. The use of financial derivatives to hedge against interest rate risk

F Professional skills

1. Communication
2. Analysis and evaluation
3. Scepticism
4. Commercial acumen

G Employability and technology skills

1. Use computer technology to efficiently access and manipulate relevant information.
2. Work on relevant response options, using available functions and technology, as would be required in the workplace.
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools.
4. Present data and information effectively, using the appropriate tools.

11. Detailed study guide

A Role of the senior financial adviser in the multinational organisation

1. The role and responsibility of senior financial executive/advisor

- a) Develop strategies for the achievement of the organisational goals in line with its agreed policy framework.^[3]
- b) Recommend strategies for the management of the financial resources of the organisation such that they are utilised in an efficient, effective and transparent way.^[3]
- c) Advise the board of directors or management of the organisation in setting the financial goals of the business and in its financial policy development with particular reference to:^[3]
 - i) Investment selection and capital resource allocation
 - ii) Minimising the cost of capital
 - iii) Distribution and retention policy
 - iv) Communicating financial policy and corporate goals to internal and external stakeholders
 - v) Financial planning and control
 - vi) The management of risk.

2. Financial strategy formulation

- a) Assess organisational performance using methods such as ratios and trends.^[3]
- b) Recommend the optimum capital mix and structure within a specified business context and capital asset structure.^[3]
- c) Recommend appropriate distribution and retention policy.^[3]
- d) Explain the theoretical and practical rationale for the management of risk.^[3]

- e) Assess the organisation's exposure to business and financial risk including operational, reputational, political, economic, regulatory and fiscal risk.^[3]
- f) Develop a framework for risk management, comparing and contrasting risk mitigation, hedging and diversification strategies.^[3]
- g) Establish capital investment monitoring and risk management systems.^[3]
- h) Advise on the impact of behavioural finance on financial strategies / securities prices and why they may not follow the conventional financial theories.^[3]

3. Ethical and governance issues

- a) Assess the ethical dimension within business issues and decisions and advise on best practice in the financial management of the organisation.^[3]
- b) Demonstrate an understanding of the interconnectedness of the ethics of good business practice between all of the functional areas of the organisation.^[2]
- c) Recommend, within specified problem domains, appropriate strategies for the resolution of stakeholder conflict and advise on alternative approaches that may be adopted.^[3]
- d) Recommend an ethical framework for the development of an organisation's financial policies and a system for the assessment of its ethical impact upon the financial management of the organisation.^[3]
- e) Explore the areas within the ethical framework of the organisation which may be undermined by agency effects and/or stakeholder conflicts and establish strategies for dealing with them.^[3]
- f) Establish an ethical financial policy for the financial management of the organisation which is grounded in good governance, the highest standards of

probity and is fully aligned with the ethical principles of the Association.^[3]

- g) Assess the impact on sustainability and environmental issues arising from alternative organisational business and financial decisions.^[3]
- h) Assess and advise on the impact of investment and financing strategies and decisions on the organisation's stakeholders, from a governance perspective.^[2]

4. Management of international trade and finance

- a) Advise on the theory and practice of free trade and the management of barriers to trade.^[3]
- b) Demonstrate an up to date understanding of the major trade agreements and common markets and, on the basis of contemporary circumstances, advise on their policies and strategic implications for a given business.^[3]
- c) Discuss how the actions of the World Trade Organisation, the International Monetary Fund, The World Bank and Central Banks can affect a multinational organisation.^[2]
- d) Discuss the role of international financial institutions within the context of a globalised economy, with particular attention to (the Fed, Bank of England, European Central Bank and the Bank of Japan).^[2]
- e) Discuss the role of the international financial markets with respect to the management of global debt, the financial development of the emerging economies and the maintenance of global financial stability.^[2]
- f) Discuss the significance to the organisation, of latest developments in the world financial markets such as the causes and impact of the recent financial crisis; growth and impact of dark pool trading systems; the removal of barriers

to the free movement of capital; and the international regulations on money laundering.^[2]

- g) Demonstrate an awareness of new developments in the macroeconomic environment, assessing their impact upon the organisation, and advising on the appropriate response to those developments both internally and externally.^[2]

5. Strategic business and financial planning for multinationals

- a) Advise on the development of a financial planning framework for a multinational organisation taking into account:^[3]
 - i) Compliance with national regulatory requirements (for example the London Stock Exchange admission requirements)
 - ii) The mobility of capital across borders and national limitations on remittances and transfer pricing
 - iii) The pattern of economic and other risk exposures in the different national markets
 - iv) Agency issues in the central coordination of overseas operations and the balancing of local financial autonomy with effective central control.

6. Dividend policy in multinationals and transfer pricing

- a) Determine a corporation's dividend capacity and its policy given.^[3]
 - i) The corporation's short- and long-term reinvestment strategy
 - ii) The impact of capital reconstruction programmes such as share repurchase agreements and new capital issues on free cash flow to equity.
 - iii) The availability and timing of central remittances
 - iv) The corporate tax regime within the host jurisdiction.
 - v) The organisational policy on the transfer pricing of goods and services across international borders.

- b) Advise, in the context of a specified capital investment programme, on an organisation's current and projected dividend capacity.^[3]

B Advanced investment appraisal

1. Discounted cash flow techniques

- a) Evaluate the potential value added to an organisation arising from a specified capital investment project or portfolio using the net present value (NPV) model.^[3]

Project modelling should include explicit treatment and discussion of:

- i) Inflation and specific price variation
 - ii) Taxation including tax allowable depreciation and tax exhaustion
 - iii) Capital rationing. Multi-period capital rationing limited to discussion only
 - iv) Probability analysis and sensitivity analysis when adjusting for risk and uncertainty in investment appraisal
 - v) Risk adjusted discount rates
 - vi) Project duration as a measure of risk.
- b) Outline the application of Monte Carlo simulation to investment appraisal.^[2] Candidates will not be expected to undertake simulations in an examination context but will be expected to demonstrate an understanding of:
- i) The significance of the simulation output and the assessment of the likelihood of project success
 - ii) The measurement and interpretation of project value at risk.
- c) Establish the potential economic return (using internal rate of return (IRR) and modified internal rate of return) and advise on a project's return margin. Discuss the relative merits of NPV and IRR.^[3]

2. Application of option pricing theory in investment decisions

- a) Apply the Black-Scholes Option Pricing (BSOP) model to financial product valuation and to asset valuation.^[3]
- i) Determine and discuss, using published data, the five principal drivers of option value (value of the underlying, exercise price, time to expiry, volatility and the risk-free rate)
 - ii) Discuss the underlying assumptions, structure, application and limitations of the BSOP model.
- b) Evaluate embedded real options within a project, classifying them into one of the real option archetypes.^[3]
- c) Assess, calculate and advise on the value of options to delay, expand, redeploy and withdraw using the BSOP model.^[3]

3. Impact of financing on investment decisions and adjusted present values

- a) Identify and assess the appropriateness of the range of sources of finance available to an organisation including equity, debt, hybrids, lease finance, venture capital, business angel finance, private equity, asset securitisation and sale, Islamic finance and security token offerings. Including assessment on the financial position, financial risk and the value of an organisation.^[3]
- b) Discuss the role of, and developments in, Islamic financing as a growing source of finance for organisations; explaining the rationale for its use, and identifying its benefits and deficiencies.^[2]
- c) Calculate the cost of capital of an organisation, including the cost of equity and cost of debt, based on the range of equity and debt sources of finance. Discuss the appropriateness of using the cost of capital to establish project

and organisational value, and discuss its relationship to such value.^[3]

- d) Calculate and evaluate project specific cost of equity and cost of capital, including their impact on the overall cost of capital of an organisation. Demonstrate detailed knowledge of business and financial risk, the capital asset pricing model and the relationship between equity and asset betas.^[3]
- e) Assess an organisation's debt exposure to interest rate changes using the simple Macaulay duration and modified duration methods.^[3]
- f) Discuss the benefits and limitations of duration including the impact of convexity.^[3]
- g) Assess the organisation's exposure to credit risk, including:^[3]
 - v) Explain the role of, and the risk assessment models used by the principal rating agencies
 - vi) Estimate the likely credit spread over risk free
 - vii) Estimate the organisation's current cost of debt capital using the appropriate term structure of interest rates and the credit spread.
- h) Assess the impact of financing and capital structure upon the organisation with respect to:^[3]
 - i) Modigliani and Miller propositions, before and after tax
 - ii) Static trade-off theory
 - iii) Pecking order propositions
 - iv) Agency effects.
- i) Apply the adjusted present value technique to the appraisal of investment decisions that entail significant alterations in the financial structure of the organisation, including their fiscal and transactions cost implications.^[3]
- j) Assess the impact of a significant capital investment project upon the reported financial position and performance of the organisation taking into account alternative financing strategies.^[3]

4. Valuation and the use of free cash flows

- a) Apply asset based, income based and cash flow based models to value equity. Apply appropriate models, including term structure of interest rates, the yield curve and credit spreads, to value corporate debt.^[3]
- b) Forecast an organisation's free cash flow and its free cash flow to equity (pre and post capital reinvestment).^[3]
- c) Advise on the value of an organisation using its free cash flow and free cash flow to equity under alternative horizon and growth assumptions.^[3]
- d) Explain the role of option pricing models, such as the BSOP model, in the assessment of the value of equity, the value of debt and of default risk.^[2]

5. International investment and financing decisions

- a) Assess the impact upon the value of a project of alternative exchange rate assumptions.^[3]
- b) Forecast project or organisation free cash flows in any specified currency and determine the project's net present value or organisation value under differing exchange rate, fiscal and transaction cost assumptions.^[2]
- c) Evaluate the significance of exchange controls for a given investment decision and strategies for dealing with restricted remittance.^[3]
- d) Assess the impact of a project upon an organisation's exposure to translation, transaction and economic risk.^[3]
- e) Assess and advise on the costs and benefits of alternative sources of finance available within the international equity and bond markets.^[3]

C Acquisitions and mergers

1. Acquisitions and mergers versus other growth strategies

- a) Discuss the arguments for and against the use of acquisitions and mergers as a method of corporate expansion.^[2]
- b) Evaluate the corporate and competitive nature of a given acquisition proposal.^[3]
- c) Advise upon the criteria for choosing an appropriate target for acquisition.^[3]
- d) Compare the various explanations for the high failure rate of acquisitions in enhancing shareholder value.^[3]
- e) Evaluate, from a given context, the potential for synergy separately classified as:^[3]
 - i) Revenue synergy
 - ii) Cost synergy
 - iii) Financial synergy.
- f) Evaluate the use of the reverse takeover as a method of acquisition and as a way of obtaining a stock market listing.^[3]

2. Valuation for acquisitions and mergers

- a) Discuss the problem of overvaluation.^[2]
- b) Estimate the potential near-term and continuing growth levels of a corporation's earnings using both internal and external measures.^[3]
- c) Discuss, assess and advise on the value created from an acquisition or merger of both quoted and unquoted entities using models such as:^[3]
 - i) 'Book value-plus' models
 - ii) Market based models
 - iii) Cash flow models, including free cash flows.

Taking into account the changes in the risk profile and risk exposure of the acquirer and the target entities
- d) Apply appropriate methods, such as: risk-adjusted cost of capital, adjusted net

present values and changing price-earnings multipliers resulting from the acquisition or merger, to the valuation process where appropriate.^[3]

- e) Demonstrate an understanding of the procedure for valuing high growth start-ups.^[2]

3. Regulatory framework and processes

- a) Demonstrate an understanding of the principal factors influencing the development of the regulatory framework for mergers and acquisitions globally and, in particular, be able to compare and contrast the shareholder versus the stakeholder models of regulation.^[2]
- b) Identify the main regulatory issues which are likely to arise in the context of a given offer and
 - i) assess whether the offer is likely to be in the shareholders' best interests
 - ii) advise the directors of a target entity on the most appropriate defence if a specific offer is to be treated as hostile.^[3]

4. Financing acquisitions and mergers

- a) Compare the various sources of financing available for a proposed cash-based acquisition.^[3]
- b) Evaluate the advantages and disadvantages of a financial offer for a given acquisition proposal using pure or mixed mode financing and recommend the most appropriate offer to be made.^[3]
- c) Assess the impact of a given financial offer on the reported financial position and performance of the acquirer.^[3]

D Corporate reconstruction and re-organisation

1. Financial reconstruction

- a) Assess an organisational situation and determine whether a financial reconstruction is an appropriate

strategy for a given business situation.^[3]

- b) Assess the likely response of the capital market and/or individual suppliers of capital to any reconstruction scheme and the impact their response is likely to have upon the value of the organisation.^[3]

2. Business re-organisation

- a) Recommend, with reasons, strategies for unbundling parts of a quoted company.^[3]
- b) Evaluate the likely financial and other benefits of unbundling.^[3]
- c) Advise on the financial issues relating to a management buy-out and buy-in.^[3]

E Treasury and advanced risk management techniques

1. The role of the treasury function in multinationals

- a) Discuss the role of the treasury management function within:^[3]
 - i) The short term management of the organisation's financial resources
 - ii) The longer term maximisation of corporate value
 - iii) The management of risk exposure.
- b) Discuss the operations of the derivatives market, including:^[3]
 - i) The relative advantages and disadvantages of exchange traded versus OTC agreements
 - ii) Key features, such as standard contracts, tick sizes, margin requirements and margin trading
 - iii) The source of basis risk and how it can be minimised.
 - iv) Risks such as delta, gamma and theta, and how these can be managed.

2. The use of financial derivatives to hedge against forex risk

- a) Assess the impact on an organisation to exposure in translation, transaction and economic risks and how these can be managed.^[3]
- b) Evaluate, for a given hedging requirement, which of the following is the most appropriate strategy, given the nature of the underlying position and the risk exposure:^[3]
 - i) The use of the forward exchange market and the creation of a money market hedge
 - ii) Synthetic foreign exchange agreements (SAFEs)
 - iii) Exchange-traded currency futures contracts
 - iv) Currency swaps
 - v) FOREX swaps
 - vi) Currency options.
- c) Advise on the use of bilateral and multilateral netting and matching as tools for minimising FOREX transactions costs and the management of market barriers to the free movement of capital and other remittances.^[3]

3. The use of financial derivatives to hedge against interest rate risk

- a) Evaluate, for a given hedging requirement, which of the following is the most appropriate given the nature of the underlying position and the risk exposure:^[3]
 - i) Forward Rate Agreements (FRAs)
 - ii) Interest rate futures
 - iii) Interest rate swaps
 - iv) Interest rate options (including collars).

F Professional skills

1. Communication

- a) Inform concisely, objectively and unambiguously, adopting a suitable style and format, using appropriate technology.^[3]

- b) Persuade using compelling and logical arguments, demonstrating the ability to counter argue where appropriate.^[3]
- c) Clarify and simplify complex issues to convey relevant information in a way that adopts an appropriate tone and is easily understood by and reflects the requirements of the intended audience.^[3]

2. Analysis and evaluation

- a) Investigate relevant information from a range of sources, using appropriate analytical techniques to estimate outcomes, assist in decision-making and to identify opportunities or solutions.^[3]
- b) Consider information, evidence and findings carefully, reflecting on their implications and how they can be used in the interests of the wider organisational goals.^[3]
- c) Assess and apply appropriate judgement when considering organisational issues, problems or when making financial management decisions; taking into account the implications of such decisions on the organisation and those affected.^[3]
- d) Appraise information objectively with a view to balancing the costs, risks, benefits and opportunities, before recommending appropriate solutions or decisions.^[3]

3. Scepticism

- a) Explore the underlying reasons for a given situation, applying the attitude of an enquiring mind, beyond what is immediately apparent.^[3]
- b) Question opinions, assertions and assumptions, by seeking justifications and obtaining sufficient evidence for either their support and acceptance or rejection.^[3]

- c) Challenge and critically assess the information presented or decisions made, where this is clearly justified, in the wider professional, ethical, organisational, or public interest.^[3]

3. Commercial acumen

- a) Demonstrate awareness of organisational and external factors, which will affect the financial management decisions of an organisation.^[3]
- b) Recognise key issues in a given scenario and use judgement in proposing and recommending commercially viable solutions.^[3]
- c) Show insight and perception in understanding financial issues and wider organisational matters, demonstrating acumen in arriving at appropriate recommendations.^[3]

G Employability and technology skills

1. Use computer technology to efficiently access and manipulate relevant information
2. Work on relevant response options, using available functions and technology, as would be required in the workplace
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools
4. Present data and information effectively, using the appropriate tools

12. Summary of changes to Advanced Financial Management (AFM)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

The main changes which have been made to the syllabus are summarised in the table below.

Table of amendments

A3h)	Assess and advise on the impact of investment and financing strategies and decisions on the organisation's stakeholders, from a governance perspective	Integrated reporting has been removed from the learning outcome.
A6a)	Determine a corporation's dividend capacity and its policy given: ^[3] v) The organisational policy on the transfer pricing of goods and services across international borders	New outcome added to A6a) which replaces the previous A6c)
B1a)	Evaluate the potential value added to an organisation arising from a specified capital investment project or portfolio using the net present value (NPV) model. ^[3] Project modelling should include explicit treatment and discussion of: iii) Capital rationing. Multi-period capital rationing to be limited to discussion only	Outcome has been revised to make clear that multi-period capital rationing is only examinable through discussion.
B3a)	Identify and assess the appropriateness of the range of sources of finance available to an organisation including equity, debt,	Initial coin offering reference has been changed to security token offering.

	hybrids, lease finance, venture capital, business angel finance, private equity, asset securitisation and sale, Islamic finance and security token offerings. Including assessment on the financial position, financial risk and the value of an organisation.	
B4d)	Explain the role of option pricing models, such as the BSOP model, in the assessment of the value of equity, the value of debt and of default risk	Previous outcomes B4d) and e) have been reduced into one outcome
E1b)	Discuss the operations of the derivatives market, including: ^[3] iv) Risks such as delta, gamma and theta, and how these can be managed.	Vega and rho removed from the list of risks which are examinable.
F	Professional skills	This section has been added to reflect the professional skills required for the AFM examination.