

Financial Management

I. Subject Overview and Objective

Financial management is basically about how a corporate could manage its funds and cash flows in a profitable, safe and sound manner. It involves in overall risk management of financial flows, given the targets on return/benefit. The subjects of corporate finance or treasury/fund management generally fall within this subject. In the current financial world, financial engineering has largely emerged and takes place in financial management field. Fund raising instruments, capital and liquidity management, investments, financial planning and forecasting and dealings controls to prevent financial fraud are key areas of this subject. If finance is not prudently managed, any business will go bust overnight as shown in the literature of various corporate scandals and failures including banks and financial institutions. The knowledge in this subject is necessary for banking and financial professionals to manage their institutions as well as to provide financial management services to their corporate and high net worth clients. Financial management subject consists of topics of extensive theoretical and algebraic and statistical nature and analyses. However, this subject is designed to provide principal knowledge on financial management to banking and financial professionals to enable them to practise and specialize in the subject.

II. Recommended Subject Coverage

- (a) Fund raising instruments and costs: Equities, convertibles and warrants, debt instruments, securitization/ asset backed securities, leveraged buy-outs and their processes and costs
- (b) Asset-liability management: Liquidity risk, maturity gap analysis, cash flow management, liquid assets and liquidity ratio, raising the liquidity(asset management and liability management), asset-liability committee (ALCO) mechanism, working capital management, capital budgeting
- (c) Treasury and Portfolio Management: Types of funds (hedge funds, pension funds, provident funds, surplus funds, etc.), portfolio/asset mix selection strategies, global and local market investment products, asset accounting (fair- value at profit/loss, held to maturity, available for sale, etc. and impairment standards), risk measurement and management(value at risk, maturity gap, interest rate gap, modified duration, stress testing, use of derivatives, open position limits), fund management and operations structure (front office, middle office, back office, segregation of duties),return on portfolio (capital gain, dividend/interest, marked-to-market/fair value gain, etc., return benchmarking)
- (d) Financial Analysis, Planning and Forecasting: Risk-return trade –off, budgeting techniques (based on business lines, activity-wise, business/operation targets, etc), estimation of future cash flows, time value/present value of money and degree of preferred financial leverage, financial performance forecasting(based on statistical models on past performance, other models or descriptive judgment- based forecasting, stress scenario testing, etc.)