

ACCA Advanced Financial Management (AFM) ECR Study Guidance

Your ACCA Enhanced Classroom product – useful information

Welcome to your ACCA ECR programme which is provided in partnership with BPP Professional Education. Below is an overview about the Enhanced Classroom element of your learning programme, plus some guidance for you to follow when studying.

Key features of the BPP Enhanced Classroom product

- **Recorded lectures**

Your learning content is broken into syllabus topics. The recorded lectures, which can be viewed at any time, help you to understand and apply the syllabus content by either explaining a concept, showing you a worked example, or providing you with an opportunity to apply the concept yourself. The lectures follow the BPP Course Notes.

- **Assessment activities**

The online assessments and further question practice activities will help you identify your strengths and weaknesses on specific areas, demonstrate learning of the core syllabus knowledge and provide you with lots of opportunity to practice and include real life examples. You can attempt some of the assessments as many times as you wish, and feedback is provided on each answer you provide.

- **Updates & Announcements forum**

In the Forums area you will see Updates & Announcements – this provides information such as when the Hub will be unavailable, and for how long, due to scheduled maintenance. We recommend that you check this forum on a regular basis.

How to log in to the BPP Hub.

You will receive a 'trigger' email to activate your account from 'hubwelcome@BPP.com' (note you may find this in your email 'junk' folder). All subsequent courses will be accessed via the same online account, so we recommend you take careful note of your login details. Once you have triggered your account, follow the below steps:

- 1) Go to <https://bpp.com/account>.
- 2) Log in with your User name and Password.
- 3) Navigate to Step 1 where you will find an introductory recording about your paper, and some FAQs about the Hub.

If you ever forget your Password, you can generate a new one by clicking the 'Forgotten password?' link and by typing in your email address. You will be sent an email to reset your password.

If you have received your login details and are experiencing any technical difficulties logging in, please contact BPP's 24/7 IT helpdesk via bpptac@bpp.com.

We hope you enjoy your ACCA studies, and wish you luck in your exam.

Getting started

If you are new to studying online, before you begin you may find it useful to access the 'ECR product demonstration' video in the 'Making the most of your BPP Digital resources' section in the Hub:

Guidance

Studying for AFM

We have structured this guidance so that you have a good idea of how much work you should be doing in preparation for each Step assessment. However, we recognise that everyone studies at different speeds, so you will need to ensure that any targets you set yourself are realistic.

How to study via ECR

Your aim is to work through your BPP Workbook along with the recorded lectures and online assessments in the Enhanced Classroom online content. The Workbook you have been provided with should be annotated as you work through the material, and the lecture examples should be completed.

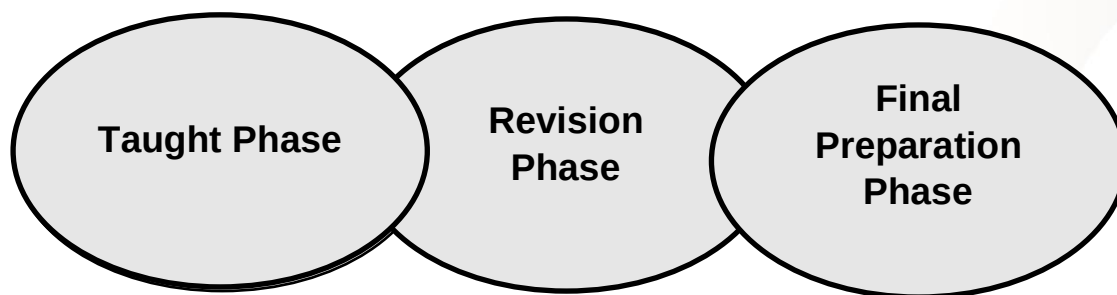
In order to work through the Workbook, we recommend you can use the following method:

- Listen to the recorded lectures in full and annotate the Workbook as you go;
- For lecture examples, have a go at them and if you find them easy, just use the answer at the back of the Workbook to check your understanding. If you have struggled with the lecture example, then use the recorded lectures to go through the theory and the answers in more detail.

The guidance below will give you some pointers as to which areas to prioritise. Try to cover the topics and activities in the guidance in the order shown. Before you start the next day of study, attempt any homework and recap any areas you have struggled with.

Errata

As we become aware of errata in the material, the errata sheet will be updated. You can access this under the 'Syllabus Updates & errata' section, under 'Your course materials' on the Hub.



Taught Phase

The emphasis of this first stage is studying the syllabus and gaining the knowledge required to attempt exam questions. During this stage you will work through each chapter of the Advanced Financial Management (AFM) Workbook and steps 1-6 of the Achievement Ladder.

Revision Phase

During this stage the emphasis is on practising exam-standard questions to learn how to apply your knowledge and develop your exam technique.

Final Preparation Phase

The aim here is to bring all of your skills and knowledge together in a final self-marked mock exam: Step 8 of the Achievement Ladder.

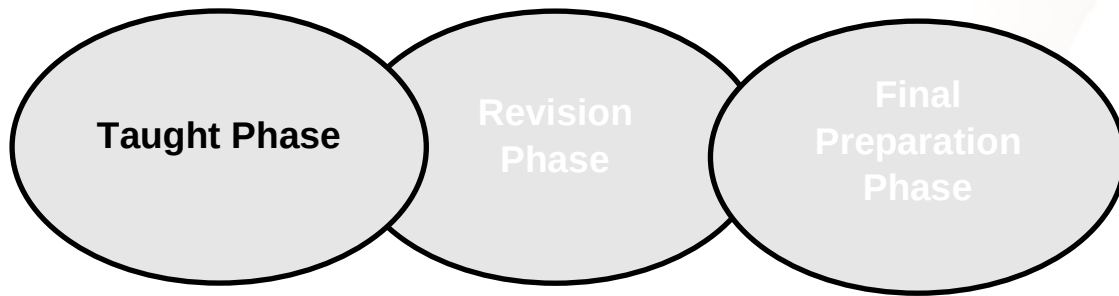
The Hub

The Hub contains all the information, documents and videos for your course. The different phases of your course are clearly identified in different steps so you can easily find them.

Before you begin the Taught Phase, please take some time looking at the information provided in the **Introduction** section, in particular:

- Watch the Introduction to AFM and How to study and pass video.
- Review the ACCA Support Resources and the ACCA Practice Experience Requirement (PER) Support

Taught Phase



This guidance will take you through the Taught Phase of your course. The emphasis of the Taught Phase is on gaining the knowledge and beginning to develop the skills in order to attempt exam questions.

During this Phase you will work through the AFM Workbook, using the online lectures to guide you. You will also work through Steps 1-6 of the Achievement Ladder.

The Taught Phase is divided into 6 Achievement Ladder Steps, when you have covered all the chapters in that step, you should attempt the relevant Achievement Ladder Step.

Step 1

This guidance gives a total of approximately **14.5 hours of study*** for step 1 of the course.

**The timings given are approximate and include time to stop and review online lectures and to check your answers for any question practice. You may find that some study sessions take you more or less time than given here. Remember there is no such thing as a 'typical' student so these approximations are for guidance only.*

Chapter 3 – Investment appraisal	Approx. 4 hours
Key areas • NPV • IRR • MIRR • Duration • Value at risk Up to Activity 2 this is a recap on FM material so you will have to be more attentive as you go past this point. In section 3 you should note that the formula for MIRR is given on the exam formula sheet but the formula for the standard IRR is not given and you will need to learn it. Both can be automated using the =IRR and =MIRR spreadsheet functions. In section 4 on risk & uncertainty there are two new areas which were not covered in FM: project duration & measuring Value at Risk. So please ensure you listen to the online lecture explanations for these and work through the lecture activities carefully. Obviously, you need to ensure that you are happy with the other techniques too.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	3 hours
Further study guidance Complete the further 'essential reading' as specified within the chapter, and read any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. The further question practice suggested at the end of the chapter could be attempted if you have time; these are available in the further question practice bank in the digital edition of the workbook. However, these questions are not as important as the practice and apply questions recommended at the end of this Step and are not a priority at this stage.	1 hour

Skills Checkpoint 1 – Scepticism	Approx. 0.5 hour
Watch the online lecture which introduces you to this skill. Remember that 20% of your marks will be awarded for the professional skills (of which scepticism is one) so this is important.	

Practice and apply question practice	Approx. 2 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. There is specific guidance on the question called Tisa. Use the time available to attempt and review questions on areas that you feel weakest in.	

Achievement Ladder Step 1	Approx. 1 hour
Now you are ready to take your first step towards exam success! Achievement Ladder Step 1 is an opportunity to consolidate your knowledge and see how far you have come. You are then able to concentrate on any weaknesses before moving onto the next part of your studies. This Step online test, based on topics covered so far, is auto-marked. Make sure you work through the feedback very carefully, covering the questions you answered correctly as well as those you didn't. You will both reinforce and extend your understanding of the syllabus content if you do this. Estimated timings: attempting Step 1: 40 minutes, reviewing feedback carefully: 20 minutes.	

Step 2

This guidance gives a total of approximately **11 hours of study**.

Chapter 4 – Application of option pricing theory	Approx. 3.5 hours
Key areas • Identifying types of real options • Determinants of option valuation • Ability to use call and put option formulae This is an important area of the AFM syllabus. There are some formulae for valuing call and put options that will initially seem worrying, but most of the work is automated in the BSOP spreadsheet that is available in the exam (and in the section of the Hub). Once you have got used to the spreadsheet, you will then need to pay equal attention to discussing the determinants of option valuation, distinguishing between calls and puts, and the limitations of the Black-Scholes model.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further study guidance Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time attempt the question practice suggested here (available in the digital edition of the workbook) but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2.5 hours 1 hour

Chapter 5 – International investment and financing decisions	Approx. 3.5 hours
Key areas • Exchange rate risk • Basic approach to evaluating international investments • Alternatives to direct foreign investment (takeovers / joint ventures) International investment questions are likely to test the core areas of investment appraisal that you have already looked at. The main additional issues that you will have to deal with in international investment questions are exchange rate forecasting (section 2), and intercompany transactions and tax (section 3). Question practice on this area is important – it could well be the main theme of the 50 mark compulsory question in the real exam.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further study guidance Attempt further 'essential reading' as specified within the chapter, and the research exercise specified at the end of the chapter in the further study guidance section. If you have time attempt the question practice suggested here (available in the digital edition of the workbook) but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2.5 hours 1 hour

Skills Checkpoint 2 – Analysis and evaluation	Approx. 0.5 hour
Watch the online lecture which introduces you to this skill. Remember that 20% of your marks will be awarded for the professional skills (of which this is one) so this is important.	

Practice and apply question practice	Approx. 2 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. Use the time available to attempt and review questions on areas that you feel weakest in.	

Achievement Ladder Step 2	Approx. 1.5 hours
Now you have covered Taught Phase – Step 2, you are ready to take your next step towards exam success. Achievement Ladder Step 2 consists of a 25-mark question covering some of the areas that you have studied. It is for self-review. Make sure you work through the solution very carefully. The time allowed per question is calculated as 1.95 minutes per mark. Once you have attempted the questions, you should work through the suggested solutions to both reinforce and extend your understanding of the syllabus. Estimated timings: attempting Step 2: 50 minutes, reviewing feedback carefully: 40 minutes	

Step 3

This guidance gives a total of approximately **17 hours of study**.

Chapter 6 – Cost of capital and changing risk	Approx. 4 hours
Key areas • Adjusted present value • Gearing and ungearing beta factors Here we look at how a change in financial risk and a change in business risk. As a senior finance professional this is an area that you would be expected to provide advice and it features frequently in the exam. There are a number of formulae that you will need to get to grips with here, but advice cannot be provided by simply using formulae and you will need to have a good understanding of the discussion areas in this chapter as well.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter. If you have time attempt the question practice suggested here (available in the digital edition of the workbook) but these questions are not as important as the practice and apply questions recommended at the end of this Step.	3 hours 1 hour

Chapter 7 – Financing and credit risk	Approx. 4 hours
Key areas • Estimating the yield curve, credit risk and the cost of debt • Duration • Security token offerings • Islamic finance Again this is an important chapter. The discussion of how to estimate the Yield curve is especially important because this area is developed later in the course when we look at valuing swaps. Credit risk premia and bond duration are also commonly examined. Initial coin offerings (now referred to as security token offerings) would only feature as an aspect to a question and not as a full question. This is also true of Islamic finance - but it is important that you are able to identify the main features and the pros and cons of the main types of Islamic finance products.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2.5 hours 1.5 hours

Chapter 8 – Valuation for acquisition and mergers	Approx. 4 hours
Key areas • Behavioural finance • Asset-based approaches • Market-based approaches • Cash-based approaches The investment decision is the main technique for increasing shareholder wealth, and the decision to buy another company is an especially important type of investment decision because of the expense and complexity of acquiring and integrating another company. All of which means that this topic is a crucial area of financial management in the real world, and this is reflected in its importance in the exam as well. Although there are a wide range of business valuation techniques to master, an important theme throughout this topic is that there is unlikely to be one best way of valuing a company. In this syllabus area there will NOT normally be a single 'correct answer' and it is very important that you demonstrate and explain your own approach; you will often receive good marks if the marker can follow your approach and understand it even if your approach does not deliver the 'textbook' answer. Note that for the purposes of this exam, there is no distinction between the terms 'acquisition' and 'merger'.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	3 hours 1 hour

Practice and apply question practice	Approx. 3 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. Use the time available to attempt and review questions on areas that you feel weakest in.	

Achievement Ladder Step 3	Approx. 2 hours
Now you have covered Taught Phase – Part 3, you are ready to take your next step towards exam success. Achievement Ladder Step 3 is a 40-mark online test, based on topics covered so far. This Step is auto-marked. Make sure you work through the feedback very carefully, covering the questions you answered correctly as well as those you didn't. You will both reinforce and extend your understanding of the syllabus content if you do this. Estimated timings: attempting Step 3: 80 minutes, reviewing feedback carefully: 40 minutes	

Step 4

This guidance gives a total of approximately **16.5 hours of study**.

Chapter 9 – Acquisitions: strategic issues and regulation	Approx. 2 hours
Key areas • Growth strategies • Types of synergy • Reverse takeovers • SPACs • EU takeovers directive The acquisition process is not just about deciding on the price to be paid – which has been extensively reviewed in the previous topic. Other, often non-financial, issues are equally important, for example: • <i>Is there a strategic logic to the acquisition?</i> • <i>Are there regulatory issues that may need to be managed?</i> • <i>How will the acquisition be financed?</i> It is very important that you are able to offer practical advice on these issues both in reality and in the exam.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	1.5 hours
Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	0.5 hour
Skills Checkpoint 3 – Communication	Approx. 0.5 hour
Watch the online lecture which introduces you to this skill. Remember that 20% of your marks will be awarded for the professional skills (of which this is one) so this is important.	

Chapter 10 – Financing acquisitions and mergers	Approx. 2.5 hours
Key areas • Cash and paper offers • Evaluating an offer Financing issues are very commonly examined so this is a very important chapter to work through carefully.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	2 hours
Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	0.5 hour

Chapter 11 – The role of the treasury function	Approx. 3 hours
Key areas • Function and organisation of Treasury • Delta hedging and other 'greeks' • Netting You have been introduced to some of the principles of risk management in the Financial Management exam. In AFM, your knowledge will be taken to a much higher level. However, it is important that you don't become obsessed with the numbers in this syllabus area, you must remember that in the exam you will be giving <u>advice</u> and this means that you need to have a good understanding of the purpose, limitations and advantages of each of the techniques that you study. You must read the chapter carefully, it is mainly a background chapter that introduces the role of the treasury department, before looking at its detail operations in later chapters. However, it is important that you understand the debate about whether risk should be managed.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	2 hours
Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles and research as specified at the end of the chapter in the further study guidance section. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	1 hour

Chapter 12 – Managing currency risk	Approx. 4 hours
Key areas • Brought forward methods • Futures • Options Currency hedging is commonly examined and this chapter needs to be worked through extremely carefully. It is important that you can set up hedges properly, and that you develop a technique that allows you to handle the calculations quickly, so look for any tips on 'short-cuts' or 'quick-methods'. Make sure that you also cover the further (essential) reading for this chapter.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	3 hours
Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	1 hour

Practice and apply question practice	Approx. 2 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. Use the time available to attempt and review questions on areas that you feel weakest in.	

Step 5

This guidance gives a total of approximately **12.5 hours of study**.

Chapter 13 – Managing interest rate risk	Approx. 5.5 hours
Key areas • Forward rate agreements • Futures & options • Swaps (interest rate and currency) • Valuing swaps This chapter is long and time-consuming although it contains a number of similar themes to the previous chapter and is conceptually easier (mainly) than managing currency risk. This is also an important chapter as it is frequently examined, so ensure you listen to the online lectures first, then read and work through the detailed calculations in your notes, ensuring that for every technique you can discuss the limitations.	
Online lecture Work through the online lecture and the relevant sections of the Workbook.	4 hours
Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	1.5 hour

Chapter 14 – Financial reconstruction	Approx. 2.5 hours
Key areas • Reconstruction schemes to prevent failure • Reconstruction schemes for value creation • Forecasting This chapter introduces syllabus section D ‘corporate reconstruction and reorganisation’. The theme of this syllabus section is there will be times when a firm will find that it needs to reorganise its operations in order to secure short-term survival and longer-term growth. This syllabus section covers: • Financial reconstruction (this chapter), which is normally based around securing short-term survival, and • Business reorganisation (the next chapter), which is more often concerned about longer term growth Either area may require the valuation of all or a part of a company so there is a link back to business valuations techniques which were covered earlier.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2 hours 0.5 hour

Practice and apply question practice	Approx. 2 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. Use the time available to attempt and review questions on areas that you feel weakest in.	

Achievement Ladder Step 5	Approx. 2.5 hours
Now you have covered Taught Phase – Part 5, you are ready to take your next step towards exam success. Achievement Ladder Step 5 is a 60 mark online test, covering all chapters of the Workbook. This Step is auto-marked. Make sure you work through the feedback very carefully, covering the questions you answered correctly as well as those you didn't, in order to both reinforce and extend your understanding of the syllabus. Estimated timings: attempting Step 5: 110 minutes, reviewing feedback carefully: 40 minutes.	

Step 6

This guidance gives a total of approximately **13 hours of study**.

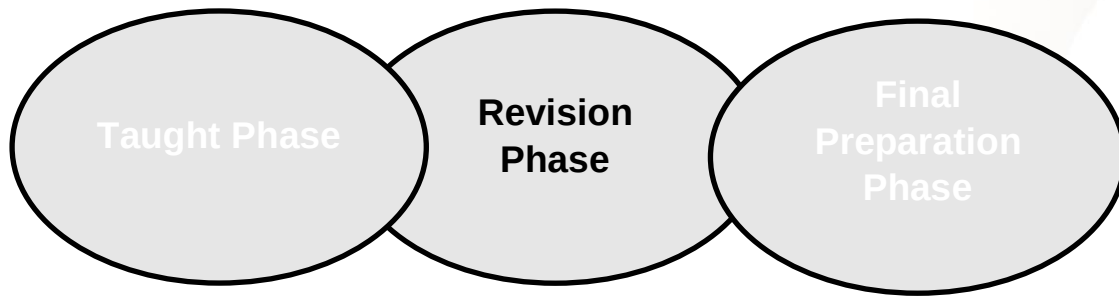
Chapter 15 – Business reorganisation	Approx. 2.5 hours
Key areas • Unbundling strategies • Divestment strategies Do not neglect this chapter - this exam is called Advanced Financial <u>Management</u>, your ability to make sure that you can make sound management recommendations regarding business re-organisations is important in AFM. This chapter and the previous chapter (looking at financing issues) are often tested together.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2 hours 0.5 hour
Skills Checkpoint 3 – Commercial accumen	Approx. 0.5 hour
Watch the online lecture which introduces you to this skill. Remember that 20% of your marks will be awarded for the professional skills (of which this is one) so this is important.	

Chapter 16 – Planning and trading issues for multinationals	Approx. 3 hours
Key areas • Dividend policy • Transfer pricing • Planning issues • Tranching • Dark pools This final topic completes section A of the syllabus by looking at a range of practical issues affecting a multinational company. Although this material is not commonly examined it would be risky to neglect it and there is nothing here that is technically difficult anyway.	
Online lecture Work through the online lecture and the relevant sections of the Workbook. Further reading, technical articles and question practice Attempt further 'essential reading' as specified within the chapter, and any recommended ACCA articles as specified at the end of the chapter in the further study guidance section. If you have time, attempt the further question practice but these questions are not as important as the practice and apply questions recommended at the end of this Step.	2 hours 1 hour

Skills Checkpoint 5 – Exam readiness	Approx. 0.5 hour
This checkpoint focuses on how to approach the CBE exam, looking at the tools at your disposal.	

Practice and apply question practice	Approx. 2 hours
Practice and Apply question practice (P&A) is built into Steps 1-6 of the teaching phase to ensure you are building your skills and exam technique throughout the course. Some of these questions are real exam questions, to ensure that you are familiar with the standard of real exam questions by the time you reach you're the revision phase of your studies. Please review the guidance provided for the P&A questions in each of Steps 1-6 in a separate document that you will find in this section of the Hub. Use the time available to attempt and review questions on areas that you feel weakest in.	

Revision Phase



This phase is all about taking the knowledge you gained in the taught phase and applying it to exam-standard questions. The emphasis here is very much on exam technique.

Exam technique

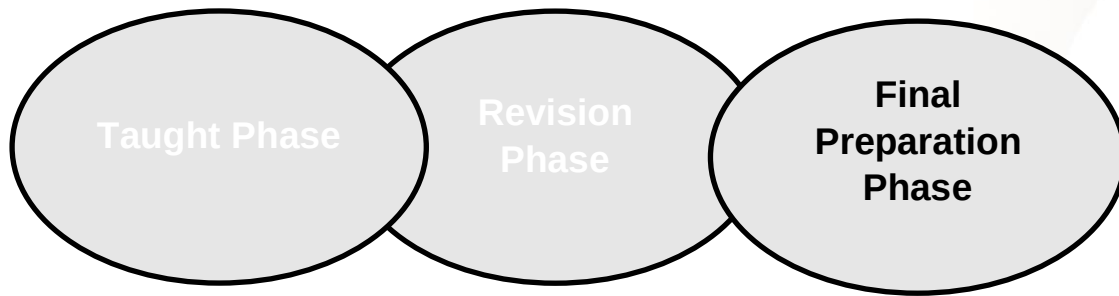
Each Skills Checkpoint in the Workbook covers the Specific AFM Skills and Exam Success Skills you need to pass. Working through the Skills Checkpoints using the online lectures for each Checkpoint will help you to develop your exam technique.

Question practice

The most effective way of improving exam technique is through question practice. Before moving on to the Revision Phase, we recommend you start by ensuring you have attempted Steps 1 to 6 of the Achievement Ladder as well as the Practice & Apply questions recommended in each step.

There are revision summaries which contain a short knowledge summary of each chapter in the Workbook if you want a quick reminder of the key points.

Final Preparation Phase



The aim of the Final Preparation Phase is to bring all of your skills and knowledge together in a final dress rehearsal before the real exam. This will be done by attempting a mock exam, **Step 8 of the Achievement Ladder**, covering the entire syllabus.

Achievement Ladder Step 8	Approx. 4.5 hours
Achievement Ladder Step 8 is a 100-mark exam-standard mock exam, covering all topics. You should ensure that you set aside 3.25 hours, in a quiet space, where you will not be interrupted. Aim to complete the exam in the ACCA software, without using any of your notes, so that it is a real test of how prepared you are. On completion you should self-mark your paper and carry out a self-review of your answers and your exam approach. Estimated timings: attempting Step 8: 3.25 hours, reviewing feedback carefully: 1.25 hours	

You have now reached the end of the exam practise phase and you are ready to attempt the real exam.

Remember to manage your time and to use all the exam technique you have learned over the last few weeks.

Good luck!