### SESSION PLAN

**COURSE:** ABE Level 5 Effective Financial Management

**ELEMENT:** Element 1 – The objectives of financial management

## **LEARNING OUTCOME 1**

Assess the objectives of financial management and the role of different stakeholders in the financial strategy that is used by a business

* 1. Assess the objectives of financial management in order to decide how best to formulate a financial management strategy for a business
  2. Analyse the roles played by different stakeholders in order to select a financial management strategy that best meets the needs of stakeholders
  3. Discuss the ethical considerations that need to be considered in financial management in order to ensure that financial practices reflect ethical requirements and standards

**NUMBER OF SESSIONS:** Three - approximately fifteen hours in total, plus self-study

**SESSION TOPICS:** Session 1: Assess the objectives of financial management in order to decide how best to formulate a financial management strategy that is used by a business

Session 2: Analyse the roles played by different stakeholders in order to select a financial management strategy that best meets the needs of stakeholders

Session 3: Discuss the ethical considerations that need to be considered in financial management in order to ensure that financial practices reflect ethical requirements and standards

**Note to tutors: this is the recommended session plan for learning outcome 1 of element 1 of the ABE Level 5 Effective Financial Management. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Assess the objectives of financial management in order to decide how best to formulate a financial management strategy that is used by a business

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 4-5 hours | Why do businesses exist? | Use **5UEFM Presentation LO1**  Explain the unit, and what is going to be covered. | 1-4 | In small groups, learners should identify what they want to learn from the unit. Set out some personal learning objectives  Ask all students to describe an organisation with which they are familiar. Give them all 5-10 minutes to do this, and explain that you will be using these organisations as examples throughout the course. |  |
| Wealth maximisation | Explain the concept of a business as an investment agency.  Discuss the paramount importance of shareholders in a capitalist system. Explain the concept of wealth maximisation: in financial management, the primary objective of the business is to maximise the wealth of its shareholders.  Look at the study guide for examples of recent investment and financing decisions made by major multinational businesses. Make it clear that these investment and financing decisions are very different. However, the need to maximise the wealth of shareholders would have been an important feature of each.  **Facilitate E1 LO1 Activity 1**  Choose one of the organisations that the students have just described. Introduce the key factors of decision making in financial management: risk & return, legal form and corporate governance. Discuss the need to balance financial management with these factors. | 5-8 | Learners try to identify and explain recent investment and financing decisions made by businesses with which they are familiar.  Ask learners to consider some of the factors, in addition to the maximisation of shareholder wealth, that might have been important in these investment and financing decisions.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E1 LO1 ACTIVITY 1** – Assess the objectives of financial management |
| The stakeholder theory of financial management | Define the concept of stakeholders.  **Facilitate E1 LO1 Activity 2**  Explain the stakeholder theory of financial management and how shareholder wealth will be maximised if managers seek to create as much value as possible for all stakeholders.  Use this YouTube film to explain this in more detail:  <https://www.youtube.com/watch?v=4lEjv0vE6VY>  **Facilitate E1 LO1 Activity 3** |  | Ask learners to identify key stakeholder groups for the organisations that they identified earlier in the session.  Discuss how stakeholders can be important contributors to the success of the business. | **5UEFM E1 LO1 ACTIVITY 2 –** Agency theory and wealth maximisation  **5UEFM E1 LO1 ACTIVITY 3 –** Stakeholder theory of financial management |
| Financial management and modern economic theory | Explain the two key concepts of modern financial management: the time value of money and the relationship between risk and return.  Use this YouTube film to explain the time value of money in more detail:  <https://www.youtube.com/watch?v=nfkqCv3Rd_g>  **Facilitate E1 LO1 Activity 4** |  | Emphasise the importance of these two concepts in modern financial management. Stress that financial management is sometimes referred to as the economics of time and risk. | **5UEFM E1 LO1 ACTIVITY 4 –** Modern Financial Management |
|  | Review of session and learning outcomes |  |  |  | Students to work through the second section of chapter 1 in the study guide prior to the next session. |

### SESSION 2: Analyse the roles played by different stakeholders in order to select a financial management strategy that best meets the needs of stakeholders

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| 4-5 hours | Introduction to session and learning outcomes | Use file: **5UEFM Presentation LO1** | 9 |  |  |
|  | Porter’s Five Forces Model | Explain the importance of stakeholders and the stakeholder theory of financial management. Discuss the stakeholder identification activity that your learners completed in session 1. Explain that there are a number of techniques that can be used to underpin the identification and analysis of stakeholders.  Introduced Porter’s Five Forces Model. Outline the five factors that are considered to determine the level of competition in an industry.  **Facilitate E1 LO1 Activity 5**  Choose one of the organisations that students described in the first session and apply the model to that organisation and its stakeholders.  You may want to conclude with a discussion of the use of this model in stakeholder identification and analysis. It could be useful, but perhaps other models might be more relevant and appropriate? | 10-11 | You have now applied the model to an organisation so tell students that they are now going to attempt the same.  As a group choose an organisation to study. This could be an organisation that is well known in your country, it could be the organisation where one of the group works or it could be the college where you are studying.  Identify and analyse the stakeholders of the organisation using Porter’s Five Forces Model.  Allow students 30 minutes to do the analysis, and then 20 minutes to present back in groups. | **5UEFM E1 LO1 ACTIVITY 5 –** Stakeholder theory and Porter’s Five Forces Model |
|  | Mendelow Power-Interest matrix | Explain Mendelow’s Power-Interest grid. Use this film to assist you: <https://www.youtube.com/watch?v=5n1vf4pcmfw>    Using the results of the previous activity, apply Mendelow’s Power-Interest grid to the organisation and its stakeholders.  **Facilitate E1 LO1 Activity 6** | 10-11 | As a group apply Mendelow’s Power-Interest grid to the same organisation to which you applied Porter’s Five Forces Model.  Do the models tell you different things? Which of the two models appear to be most useful in stakeholder identification and analysis?  Allow students 40 minutes to apply the model, and then to answer the question. | **5UEFM E1 LO1 ACTIVITY 6 –** Stakeholder theory and Mendelow’s Power-Interest Grid |
|  | Review of session and learning outcomes |  |  |  | Students to work through the third section of chapter 1 in the study guide prior to the next session. |

### SESSION 3: Discuss the ethical considerations that need to be considered in financial management in order to ensure that financial practices reflect ethical requirements and standards

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| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 4-5 hours | Introduction to session and learning outcomes | Use file: **5UEFM Presentation LO1** | 12 |  |  |
| The importance of ethics and ethical codes | Explain how the need to maximise shareholder wealth has increased the risk that managers used methods that are regarded as unethical.  Outline how codes of ethical standards and behaviour may contribute to high standards of integrity in financial management. Discuss how these codes might help to prevent unethical behaviour, but that they are unlikely to provide a complete solution.  Discuss how sound ethical standards might help to support the maximisation of shareholder wealth. | 13-14 | Ask students to find out about ethical standards and behavior for a business in their country.  Ask students to find out about businesses (in their country, or elsewhere) that have failed to apply effective standards of ethical behavior. |  |
| Agency theory | Outline the concept of the separation of ownership and control. Discuss how this might lead to problems in business. See the study guide for the example of the effects of the agency problem in sub-prime mortgage market and the economic crisis of 2007-2009.  Explain the three important factors that contribute to the existence of the agency problem:  Use this YouTube film to explain agency theory in more detail:  <https://www.youtube.com/watch?v=uZfC9LoLk_g>  **Facilitate E1 LO1 Activity 7** | 15 | Learners try to identify and discuss the effects of the agency problem in businesses with which they are familiar.  Ask learners to consider some of the factors, including ownership & control, goals and the asymmetry of information, and how these might manifest in the business that they have selected.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E1 LO1 ACTIVITY 7 –** The Agency problem |
| Corporate governance | Outline the importance of corporate governance in modern business. Use the study guide and the idea that corporate governance seeks to ensure that “shareholders pockets are close to managers’ hearts” (Brealey, Myers and Allen, 2014).  Discuss the need for corporate governance in terms of agency theory. Outline the key guiding principles of a corporate governance framework: disclosure, accountability and fairness.  Illustrate the content of a typical code of corporate governance. Explain how the detailed codes try to ensure that these guiding principles are applied. Use this YouTube film to consider some of the detail that is found in a typical code:  <https://www.youtube.com/watch?v=vVLDl9u-D3g>  **Facilitate E1 LO1 Activity 8** | 16 | Learners consider the elements of a corporate governance framework. In small groups, learners should discuss and explain how these elements might help to address the agency problems that were identified in the previous activity.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E1 LO1 ACTIVITY 8 –** Corporate Governance |
| Review of session and learning outcomes | Ask students to prepare for the next session by reading the first section of the next chapter in the study guide. |  |  | Students to work through section 1 of chapter 2 in the study guide prior to the next session. |

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