

Unit 8: Financial Principles and Techniques for the Strategic Manager

Level: 7

Unit type: Optional

Guided learning hours: 45

Credit value: 20

Unit introduction

The goal of strategy is to place an organisation in a sustainable position supported by adequate resources. One of the key functions of strategic managers is to make long-term decisions that will contribute towards the achievement of an organisation's strategic objectives. Strategic managers rely on both quantitative and qualitative management information to ensure that the decisions they take are robust and take account of the potential benefits and risks to the organisation.

Strategic decision-makers will have acquired specialist skills and knowledge that will be linked to organisational functions. A team of strategic managers, therefore, could include specialists in areas such as finance, marketing, human resources and digital technology. Strategic leaders will need to understand, interpret and make use of financial data and other information, whatever their specialist skills and knowledge area. Financial data is processed as part of an organisation's management information system (MIS). Strategic managers need to be able to apply financial techniques and tools to analyse the organisation's management information, and to make firm decisions for different organisational reasons.

This unit focuses on the financial data and management information that strategic manager's use when making financial decisions. These decisions will be about the planning and allocation of resources based on the financial models and financial statements prepared and presented by the organisation's management accountants and financial accountants.

Successful completion of this unit will enable learners to analyse these financial models and financial statements to assess and evaluate an organisation's financial performance, determine the reasons for underperformance, and set challenging financial performance targets in relation to revenue, costs, liquidity, financial returns, efficiency and overall profitability. Achievement of these targets will enable an organisation to improve its position in a competitive market and meet the needs and interests of its stakeholders.

This unit does not require any prior knowledge of financial or management accounting but learners should be confident in the application of numerical skills in data analysis to assist in management decision-making and formulating organisational strategies.

Learning outcomes and assessment criteria

To pass this unit, the learner needs to meet all the learning outcomes for the unit. The assessment criteria determine the standard required to achieve the unit.

Learning outcomes		Assessment criteria	
A	Understand the contribution of the finance functions to strategic decision making	A.1	Analyse the relationship between cost accounting, management accounting and financial accounting
		A.2	Critically analyse the application of financial, cost and management accounting in an organisational context
		A.3	Critically evaluate the contribution of management information to organisational financial decision making
B	Understand the strategic management decision-making process in the allocation of organisational resources	B.1	Analyse the functions of organisational budgets
		B.2	Systematically analyse the relationship between budget planning and operational and strategic planning
		B.3	Evaluate the contribution of budgetary control to the achievement of operational and strategic objectives
C	Understand the financial tools used by strategic managers in relation to financial decision making	C.1	Investigate the factors that impact on financial decision making
		C.2	Critically analyse the short-term financial decision-making process relating to price, costs and output
		C.3	Critically analyse the long-term financial decision-making process relating to capital investment decisions
D	Understand the financial techniques applied to evaluate organisational performance	D.1	Comprehensively analyse the financial statements of a business
		D.2	Critically assess the financial performance of a business
		D.3	Critically evaluate a set of decisions designed to improve the financial performance of an organisation