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Tips to handle Strategic Financial Management paper [SFM]

Dear Students,

During my contribution to various sections of Caclubindia like Forum, Articles and Expert section, many times I have come across a common issues faced by student which is "how to prepare for SFM" subject. Although I have never prepared SFM for exam but still an attempt has been made to suggest some general tips and tricks to handle SFM paper. Indeed SFM is a very crucial subject and it is quite difficult to get away with SFM paper without proper preparation and conceptual knowledge. I am sure this brief write up would be of some help as November 2014 exams are approaching and it is high time for us to start preparation for November 2014 exams and clear our doubts w.r.t. a particular subject.

Links for some useful Exam Article for November 2014 Exam

Few Days back I had shared some Exam oriented Suggestions and tips for November 2014 Exam. You may find that article at the link given below:

Exam Oriented Suggestions and Tips for November 2014 Exam

There is another article through which I have compiled some useful information with relevant links for the use of CA and CS Aspirants. This article will also guide CA Aspirants about the applicability of Companies Act, 2013 for November 2014 and May 2015 attempt. This Article contains relevant links for exam files and institute notifications for download purpose. You may find that article at the link given below:

Important Information and links for Student of CA and CS

Also refer my articles for the tips and tricks to handle Audit and Costing paper, which is available at the link given below for your ready reference:

Tips to handle Costing subject in Professional Exams
Suggestion for CA Final and IPCC Audit paper November 2014

Importance of Strategic Financial Management [SFM] paper

If you look at it carefully, you will find that Strategic Financial Management [SFM] is a fusion of strategic Management and financial Management as it has Capital Budgeting and Portfolio Management topic. Honestly this subject has acquired an important implication nowadays due to recent cross border flow of capital. SFM is all about applying the strategic knowledge and

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techniques of financial Management to the planning, operating of an organization along with monitoring the finance function. Good knowledge and understanding of SFM opens new opportunities for budding Chartered Accountants keeping in view its International approach. CA Final SFM provides the concepts theories and techniques related to SFM and aims to develop the student ability to understanding the different concepts and their application in the real life situations.

PREPARATION FOR STRATEGIC FINANCIAL MANAGEMENT [SFM]

I have realized that many students consider SFM as a tuff subject to handle and score, but honestly this is not the case. Just like costing, with proper and conceptual study, SFM can be managed easily with good score in exam. Further some time we got real tuff paper in hand to solve which results into low marks. But that does not mean that our preparation was not good and we are weak in that paper. It happens with everyone so at that time just have faith in your preparation method and avoid drastic changes in your preparation method.

TIPS TO PREPARE:

1. First of all understand that SFM is not a very tuff subject and with proper guidance and planning it can be handled easily. Some students might find it very interesting but at the same time this is not among favourite subject for other students. Here I must say once you start working over this subject, this would become your favourite subject and you'll be able to score great marks in SFM. You know everything is possible in life.

2. **Reference Book for SFM:** It is important to use right reference book for the subject from the very beginning. Few options are available in this regard which are as follows:

a. A.N. Sridhar or V. Pattabi Ram
b. JB Gupta along with DVD lectures
c. S.D. Bala along with Paduka (for practicing the numerical questions)

My personal choice would be the book of JB Gupta from Taxmann publication. This book contains theoretical and practical question of past 42 CA Final exams (including May 2014) along with 700 fully solved practical problems in the book. 275 fully solved practical problems in accompanying Workbook on CD.

3. **ICAI Study Material is must:** As a general understanding ICAI study material is a must for preparation. Chapter in the study of SFM has been organized to provide a logical sequence to facilitate easy understanding. ICAI Study Material contains good number of illustrations in each chapter to help student. For a quick grasp of the subject during the examination days a summery has also been inserted in the end of each chapter.

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4. **Conceptual Understanding and Practice is must:** In numerical subject like SFM Conceptual study and understanding is must. Without Conceptual clarity it would be tuff for you to perform well in SFM subject. With Conceptual understanding one can easily understand the practical questions and solve them easily. To ensure proper grip on SFM subject, its formulas etc,, it is important and necessary to practice maximum number of practical questions. I would suggest you to solve numerical questions given in ICAI study material, Questions asked in previous exams, revision test papers, practice manuals. As we all know practice makes a man perfect. Practicing good number of questions will give you the good knowledge in SFM and help you to maintain good speed during examination time.

5. In order to handle SFM it is advisable for CA final students to practice ample number of practical problems. To update with the latest changes in the finance sector, it is advisable to refer monthly journal of ICAI "The Chartered Accountant" and the student newsletter published by the board of studies along with other Corporate Law Journals.

6. Broadly speaking syllabus of SFM is divided into 2 categories. Under First category we may have Capital Budgeting, Foreign Exchange Risk Management, Portfolio Management and Derivatives. Under Second category we may have Bond Valuation, Mutual Fund, Merger and Acquisitions and Dividend Policy. Chapters under first category are the chapters which carry a good weightage in every attempt. Now it depends upon Individual choice whether to start from first category or second category.

7. As per my opinion one should start from comparatively small and easy topic just to develop interest in the subject. So instead of starting with heavy topic start with a lighter and very interesting topic i.e. Bond Valuation and Mergers and acquisition. After that you may finish the topic of Portfolio Management. It is an important topic and emphasis should be given to portfolio management formulas as they are of utmost important to ensure grip over this chapter. Accordingly you may pick the chapter of Mutual Fund, Foreign Exchange Risk Management one by one as per your own strategy.

8. Capital Budgeting is another important chapter in SFM. Leasing is one of the important topics of Capital Budgeting. You may easily find a question on leasing in exam. In this chapter try to understand the concept and practice ample number of practical questions to learn and understand the formulas. Try to solve more and more number of practical questions asked in previous attempts.

9. I would also suggest you one strategy that a heavy topic should be followed by a small topic. In other words after completing a heavy chapter, start a small and easy chapter. Just to give you an example after completing the chapter of Foreign Exchange Risk Management don't

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start another heavy chapter like Capital Budgeting or Derivatives. This will help you to retain concepts for a longer period and avoid mixing up of concepts.

10. **Revision Strategy:** A good Revision strategy is also important in a subject like SFM. In case of poor revision, it would be difficult for you to recall SFM concepts and formulas in exam hall. If you fail to revise, your SFM paper would be a complete disaster. So beware about the same. Hence after completing all the chapters revise all of them one by one in the same order in which you have made first reading.

11. **Prepare Theory topics:** Theory is asked in SFM paper so what is the point of not giving importance to SFM theory. In other words theory is also important content of this SFM subject. Prepare a list of frequently asked theory questions in previous examinations and prepare them thoroughly. You may prepare short notes of SFM in your own language and revise them regularly.

12. **Other notable points:** Please take note of the below mentioned relevant point regarding preparation of Strategic Financial management subject [SFM]:

    a. It is really important to classify less relevant portion of your study. I would suggest you to refer Scanner to figure out the portion of SFM subject which is least important from exam point of view. This will help you to save time and energy.
    b. Lack of good presentation is one of the major drawbacks for most of the CA students. So workout on your writing and presentation skills.
    c. You are advised to practice such numerical questions which cover the technical points, formulas and adjustments of entire chapters.
    d. Try and make an effort to complete your paper 100%. In other words attempt full paper of 100 marks to fetch some extra marks as marking is done on step basis.
    e. Keep a query diary with you during study time and note your queries in this diary and resolve them same day or next day. Do not keep your query unresolved. Don't forget to mention answer of your query in the query diary.
    f. Prior understanding of Question paper pattern is very important. So before going to exam refer last attempt question paper to understand exam pattern properly. Further the presentation is very important in SFM subject so you should avoid unnecessary cuttings and corrections.
    g. Before answering any question you need to make a rough solution in your mind and then go accordingly. No need to make hurry in papers like SFM and costing as one mistake may spoil your entire efforts. In SFM you won't get amendments very frequently, so no need to worry about amendments etc.

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I sincerely believe that the suggestions mentioned above would be of some help in SFM preparation. Remember SFM is a different subject and with right approach you can fetch great marks in SFM as it is a high scoring subject.

Thanks
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