ACT LEADING TREASURY PROFESSIONALS

BUILDING FUTURES

AWARD in Cash Management Fundamentals

SYLLABUS

AWARD
in Cash Management Fundamentals

This course is intended for treasury staff and bankers who require an understanding of the essentials of cash management and working capital.

"AwardCMF seeks to help students understand the many roles played by treasurers and its partners in the business of managing cash and liquidity"

This course is designed for bankers and treasury staff who require an understanding of the essentials of cash management and working capital. On completion of the Award in Cash Management Fundamentals, students have the option to go onto complete the full Certificate in International Cash Management (CertICM) qualification.

AwardCMF seeks to help students understand the many roles played by treasury and its partners in the business of managing cash and liquidity. It develops knowledge in banking products and services among treasurers and finance teams and provides FIs better insight into their clients' needs and how their products and services can be better targeted at these needs.

Working capital is also explored, focussing on helping students to understand and interpret key financial statements and exploring how cash managers can use this to fine tune discussions on working capital. The unit helps treasury and finance to understand sources of how to improve working capital and for banks to identify opportunities to support their clients in this.

The Award in Cash Management Fundamentals consists of two units:

Unit 1: Cash management – the essentials

1. Introduction to treasury and cash management
2. Important cash management concepts
3. Introduction to banking
4. Basic banking services

Unit 2: Working capital management

5. Understanding financial statements
6. Optimising working capital

The course is supported by online study resources. Each unit takes between 20-22 hours to complete, with 40-45 hours required to complete the whole Award. We estimate you should be able to complete the course in 1-3 months alongside your full time work.

You can study for this qualification through the ACT. Successful completion of the course leads to the Award in Cash Management Fundamentals. Further information about all our qualifications can be found at treasurers.org/qualifications.

On completion of the AwardCMF, you can go onto completed the CertICM. The AwardCMF makes up the first 2 units of learning for the full CertICM. If you choose to continue your studies once you have completed the Award, you will need to book onto units 3-7 of CertICM. Further information can be found at treasurers.org/qualifications.

Assessment

The Award in Cash Management Fundamentals will be assessed online through a multiple choice assessment.

You will be provided with information and instructions on the assessment at the time of booking with the ACT. However, you will be able to take practice assessments as part of your learning programme to assist in the preparation and familiarise yourself with the types of assessment questions you can expect.

GLOSSARY OF QUALIFICATION TERMS

Award	For the purpose of this qualification, upon passing your assessment, you will be awarded the Award in Cash Management Fundamentals. The award is therefore the outcome of your studies and assessments and represents your achievement.
Unit	A unit represents a segment of learning within the Award in Cash Management Fundamentals. Each individual unit has its own rationale, introduction and content. Each unit also has a number of learning outcomes and supporting indicative content.
Overarching learning outcomes	The learning outcomes within a unit lay down the expectations of the learner and define the level of knowledge and understanding required in order to be fully prepared to take the ACT assessment.
Micro learning outcomes	These appear within each of the sections in the units and, like the overarching learning outcomes, act as the basis to determine knowledge and understanding which shape your learning and assessment.
Indicative content	The indicative content is an indication of the knowledge required in order to fulfil the assessment requirements and achieve the learning outcomes and details the level of technical content of the programme.

CASH MANAGEMENT – THE ESSENTIALS

Unit one

- Rationale for unit one
- Introduction to unit one
- Overarching learning outcomes
- Unit one content

RATIONALE FOR UNIT ONE

For companies engaged in international business there are many roles played by treasury and many partners who facilitate the business of managing cash and liquidity.

This unit seeks to bring about a better understanding of those involved in international cash management, and an appreciation of their respective contexts, issues and challenges.

For the corporate treasurer who uses banking products, we review the role played by banks, the basic banking services and the challenges faced by the financial services industry in managing their credit risk and balance sheets in the light of Basel III. Then to provide financial institutions with an insight into the world of their clients, to whom they offer international cash management solutions, we discuss the role of treasury within the organisation, and the importance of cash and liquidity management.

INTRODUCTION TO UNIT ONE

This unit is designed as an overview of both the corporate and banking worlds and provides insights into their respective contexts.

Firstly, the role of the treasurer is examined and where cash management fits within that role. Most importantly it offers a working definition of good cash management and the resulting benefits to the company. Fundamental cash management concepts are described including the operating cycle, the cash flow cycle, the nature of cash flows, the importance of liquidity, finality, availability and float, where it arises, what causes it and how to reduce it.

Secondly, this unit explores the basics of banking. Topics include the role of the central bank, different roles a financial institution can play, types of account and the documentation required to open them, as well as how banks make their money and ways in which companies can seek to reduce their overall banking costs. The impact of Basel III on how banks manage their credit risk and balance sheet is also examined.

Lastly this unit reviews the various instruments that are used for making payments and their respective impact on cash flow.

OVERARCHING LEARNING OUTCOMES

At the end of this unit you should be able to:

1. Describe the role of treasury and cash management including the factors that influence how those functions are performed within a company.
2. Define cash management from both the bank and corporate perspectives and explain why it is important to companies.
3. Explain the significance of liquidity to a company and the sources, uses and cost of maintaining liquidity.
4. Comprehend important cash management concepts such as the cash flow cycle, float, finality, availability and the time value of money and describe how these concepts are used by cash managers.
5. Recognise where float arises in the supply chain process and recommend what can be done to reduce float
6. List the main duties of a bank and describe the differences between types of bank account.
7. Calculate interest on a bank account.
8. Describe the different types of charges levied for bank services and the techniques that can be used to reduce bank fees.
9. Evaluate the advantages and disadvantages of different payment types (electronic and paper-based) and recommend appropriate payment vehicles for different transactions and situations.
10. Be aware of regional preferences and know which payment instruments are favoured in which countries.
11. Explain the impact of Basel III on the banking sector and treasurers.

1 INTRODUCTION TO TREASURY AND CASH MANAGEMENT

1.1 Evolution of the treasury function

LO1 Examine what factors have influenced the evolution of the treasury function into a strategic partner in the business.

Indicative content which outlines the scope of learning expected:

- Evolution of the treasury function:
  - changing economy
  - changing technology
  - focus on liquidity and working capital
  - regulatory environment
  - standardisation
  - professional development

1.2 The role of treasury

LO2 Explain the broader role of treasury, its relationship to cash management and why that role may vary at different companies.

Indicative content which outlines the scope of learning expected:

- The role of treasury
  - core tasks performed by treasury
    - currency management
    - funding management
    - investment management
    - bank relationship management
    - risk management
    - cash management
  - relationship of treasury and cash management
  - why the treasury role varies by company

1.3 Corporate definition of cash management

LO3 From the corporate perspective, define the role of cash management and the range of functions cash managers may be expected to undertake.

Indicative content which outlines the scope of learning expected:

- Corporate definition of cash management
  - usual functions performed by the cash manager
    - day-to-day cash control
    - bank account structure
    - collections
    - payments
    - short-term investment
    - short-term borrowing
  - additional functions that may be performed by the cash manager
    - short-term foreign exchange and hedging
    - medium and short-term cash flow forecasting
    - monitoring and assisting with risk management
    - managing cash management bank relationships
    - intercompany multilateral netting
    - cross-border liquidity management
    - trade finance
    - account reconciliation
    - receivables management
    - payables management
    - selecting and implementing cash management systems and interfacing with internal systems such as ERP systems
  - relationship between cash management and liquidity management

1.4 Bank definition of cash management

LO4 Compare how the bank definition of cash management differs from the corporate definition.

Indicative content which outlines the scope of learning expected:

- Bank definition of cash management
  - products and services banks sell to cash managers
  - comparison of the corporate and bank definitions of cash management

1.5 Benefits of good cash management

LO5 Explain how good cash management can benefit companies.

Indicative content which outlines the scope of learning expected:

- Benefits of good cash management
  - better control of financial risk
  - opportunity for profit
  - strengthened balance sheet
  - increased stakeholder confidence in the company
  - improved operational efficiencies

1.6 The role of cash management at different companies

LO6 Discuss the factors that influence the role of cash management in different companies.

Indicative content which outlines the scope of learning expected:

- The role of cash management at different companies
  - major factors that influence the structure of the cash management function
    - size of the company
    - industry
    - nature of the business
    - domicile
    - extent of globalisation
    - legal structure
    - account ownership
    - corporate culture
    - deployment of technology
    - treasury structure
    - existing banking relationships
    - personal style of the treasurer

2 IMPORTANT CASH MANAGEMENT CONCEPTS

2.1 The nature of cash flows

LO7 Discuss the nature of cash flows and how they are viewed by different areas of the business.

Indicative content which outlines the scope of learning expected:

- The nature of cash flows
  - the operating accounting and cash flow cycles

2.2 The importance of liquidity

LO8 Explain why liquidity is vital to the survival of a business and what are the uses and sources of liquidity for a company.

Indicative content which outlines the scope of learning expected:

- The importance of liquidity
  - sources and uses of liquidity
    - internal sources
    - external sources
    - activities that use a company's liquidity
  - the cost of maintaining liquid assets

2.3 Important cash management concepts

LO9 Discuss the relevance to cash managers of certain important cash management concepts.

Indicative content which outlines the scope of learning expected:

- Important cash management concepts
  - value
  - availability
  - finality
  - security of principal
  - opportunity cost of funds
  - time value of money

2.4 The cash manager's role in managing float

LO10 Recommend ways in which float can be managed to improve the cash manager's liquidity position.

Indicative content which outlines the scope of learning expected:

- The cash manager's role in managing float
  - cash management float
    - disbursement float
    - collection float
  - float throughout the supply chain
  - calculating the cost of float
  - why float arises
  - how to reduce float

3 INTRODUCTION TO BANKING

3.1 The role of the bank

LO11 Compare the roles and responsibilities of different types of bank.

Indicative content which outlines the scope of learning expected:

- The role of the bank
  - the role of the central bank
  - central bank reporting
  - types of bank
  - main duties of a bank
    - handle customers' business in a safe and professional manner
    - honour customers' cheques
    - comply with any express instruction from the customer
    - maintain customers' confidentiality
    - give reasonable notice if it wishes to close an account
    - provide a balance of account on request and send statements
    - receive customers' money and cheques
    - repay money on demand
    - advise customers immediately of any improper event affecting the account
    - exercise proper care and skill when performing all its duties
  - commercial bank services

3.2 Documentation required to open a bank account

LO12 Describe how account ownership can affect the documentation required to open an account.

Indicative content which outlines the scope of learning expected:

- Documentation required to open a bank account
  - personal customers
  - joint accounts
  - sole traders
  - partnership accounts
  - limited liability companies
  - trustee accounts
  - resident and non-resident accounts

3.3 Factors that influence bank charges and fees

LO13 Review the factors that influence the fees a bank charges its customers.

Indicative content which outlines the scope of learning expected:

- Factors that influence bank charges and fees
  - balances maintained
  - volumes
  - additional services
  - relationship

3.4 How banks calculate interest

LO14 Perform interest calculations from the bank's perspective.

Indicative content which outlines the scope of learning expected:

- How banks calculate interest
  - understanding value dates
  - the interest calculation
  - tiered interest rates
    - stepped and banded interest calculations

3.5 Reducing bank charges

LO15 Recommend ways in which banking fees can be reduced.

Indicative content which outlines the scope of learning expected:

- Reducing bank charges
  - understand the charging methods
  - review types of payment and method of submission
  - use better cash management techniques
  - review existing arrangements
  - bank fees checklist

3.6 Managing bank risk

LO16 Describe how banks manage their credit risk and balance sheet and how Basel III impacts not just banks but companies also.

Indicative content which outlines the scope of learning expected:

- Managing bank risk
  - bank credit risk and balance sheet management
  - impact of the Basel accords on both banks and treasurers

4 BASIC BANKING SERVICES

4.1 Payment instruments

LO17 Recommend appropriate vehicles for various payment or collection scenarios based on the characteristics, advantages and disadvantages of different payment instruments.

Indicative content which outlines the scope of learning expected:

- Payment instruments
  - physical instruments
    - cash
    - cheques
    - paper giros
    - bills of exchange
    - promissory notes
    - bankers' drafts
  - electronic payment instruments
    - wire transfer
    - automated clearing house (ACH)
    - direct debit
    - electronic bills of exchange
    - electronic bill payment
    - mobile payments
  - cards
    - charge
    - credit
    - debit
    - payment
    - smart
    - using cards
  - comparison of payment types
- Regional preferences
- Impact of payment and collection instruments on cash flow

WORKING CAPITAL MANAGEMENT

Unit two

RATIONALE FOR UNIT TWO

Since the financial crisis of 2008, managing working capital has never been more important to the survival of a business.

Working capital is managed through the current accounts (short-term assets and liabilities) of a company's financial statements. The financial statements can provide an insight, both internally and externally, as to how efficiently a company is being managed and to a lesser extent, how it will perform in the future. Senior management uses the information to fine tune strategic decisions, cash managers use the financials to better manage working capital and financial institutions rely on published accounts to provide insights into a company's liquidity and ability to repay debt. As not everyone has the benefit of an accounting background this unit seeks to provide a high level definition and explanation of the relevance to treasury of the most important financial statements and ratios before analysing how treasurers use the current accounts to better manage liquidity and, more specifically, working capital. The unit also reviews other sources for improving working capital such as trade financing vehicles and specialised bank products for reducing float.

INTRODUCTION TO UNIT TWO

This unit explains how the financial statements are used by different parties to better understand and manage the company.

It reviews and defines the components of the balance sheet, income statement, statement of changes in equity and statement of cash flows. It also describes the important ratios used by cash managers and financial institutions in assessing a company's liquidity and cost of capital.

The current accounts (current assets and current liabilities) are also the key to managing working capital, i.e. freeing up liquidity to fund current operations. This unit discusses how the cash manager can improve these balance sheet items by ensuring that monies due in (receivables or debtors) are received as quickly as possible, and that monies due out (payables or creditors) are timed to be paid only when due. While not strictly responsible for inventory, the cash manager can also influence business practices to accelerate the conversion of inventory into receivables and cash. Analysing certain balance sheet items provides valuable insights into the cash conversion cycle and how efficiently a company is using its liquidity. Nonetheless, these aspects have to be managed within a broader business context, taking into account:

- Commercial relationships
- The economic environment
- The business environment (whether domestic or international)
- The banking environment
- The company's own corporate culture and organisation

Lastly, this unit reviews the trade financing vehicles that can be used to release cash back into the operating cycle and the specialised bank services designed to help a company manage float.

OVERARCHING LEARNING OUTCOMES

At the end of this unit you should be able to:

1. Analyse how a company is being managed through the interpretation of a company's financial statements.
2. Perform simple financial analysis by computing important financial ratios, such as liquidity, gearing and performance ratios.
3. Critically assess accounts receivable and accounts payable in order to recommend how the organisation can optimise working capital.
4. Recommend improvements to the cash conversion cycle through the calculation of the cash conversion cycle and the value of trade discounts.
5. Identify the ways in which cash can be released back into the operating cycle using trade financing vehicles.
6. Evaluate the benefits of banking services designed to manage float, and quantify the benefits of using a lockbox.

1 UNDERSTANDING THE FINANCIAL STATEMENTS

1.1 Financial statements and key accounting concepts

LO1 Describe the primary financial statements and key accounting concepts.

Indicative content which outlines the scope of learning expected:

- Financial statements and key accounting concepts
  - primary financial statements
    - statement of financial position (balance sheet)
    - statement of profit or loss and other comprehensive income
    - statement of changes in equity
    - statement of cash flows
  - GAAP versus IFRS
  - published accounts versus management accounts
  - key accounting concepts

1.2 Balance sheet/statement of financial position

LO2 Explain the key terminology used in the balance sheet and how it is constructed.

Indicative content which outlines the scope of learning expected:

- Balance sheet/statement of financial position
  - definition of the balance sheet
  - balance sheet terminology
    - assets
    - liabilities
    - equity
    - capital
    - working capital
  - example of a balance sheet

1.3 Income statement/statement of profit or loss and other comprehensive income

LO3 Explain the key terminology used in the income statement and how it is constructed.

Indicative content which outlines the scope of learning expected:

- Income statement/statement of profit or loss and other comprehensive income
  - definition of the income statement
  - income statement terminology
    - revenue
    - cost of sales
    - gross profit
    - depreciation and amortisation
    - distribution costs and administrative expenses
    - operating profit
    - earnings before interest and tax (EBIT)
    - earnings before interest, tax, depreciation and amortisation (EBITDA)
    - other income
    - finance costs
    - profit before taxation
    - taxation
    - profit for the year
    - other comprehensive income
    - dividends
    - retained earnings
  - example of an income statement

1.4 Statement of changes in equity

LO4 Explain the key accounts used in the statement of changes in equity and how it is constructed.

Indicative content which outlines the scope of learning expected:

- Statement of changes in equity
  - definition of statement of changes in equity
  - example of a statement of changes in equity

1.5 Statement of cash flows

LO5 Explain the key components used in the statement of cash flows and how it is constructed.

Indicative content which outlines the scope of learning expected:

- Statement of cash flows
  - definition of statement of cash flows
  - example of a statement of cash flows
  - components of a statement of cash flows
    - cash flows from operating activities
    - cash flows from investing activities
    - cash flows from financing activities

1.6 Important ratios for cash managers

LO6 Assess the purpose of important financial ratios and how they are used by cash managers.

Indicative content which outlines the scope of learning expected:

- Important ratios for cash managers
  - liquidity ratios
    - debt/EBITDA
    - current ratio
    - quick ratio (Acid test)
  - gearing and leverage ratios
    - gearing
    - leverage
    - interest cover (Times interest earned TIE)
  - performance measures
    - return on equity (ROE)
    - earnings per share (EPS)

1.7 Calculating ratios

LO7 Compute basic ratios, such as liquidity, gearing and performance measures.

Indicative content which outlines the scope of learning expected:

- Calculating ratios
  - liquidity ratios
    - debt/EBITDA
    - current ratio
    - quick ratio (Acid test)
  - gearing and leverage ratios
    - gearing
    - leverage
    - interest cover (Times interest earned TIE)
  - performance measures
    - return on equity (ROE)
    - earnings per share (EPS)

2 OPTIMISING WORKING CAPITAL

2.1 Introduction to working capital management

LO8 Discuss the components of working capital and how they impact sources and uses of liquidity within a company.

Indicative content which outlines the scope of learning expected:

- Working capital
  - definition of working capital
  - the working capital cycle
  - net working capital

2.2 The Cash Conversion Cycle

LO9 Explain how the cash conversion cycle can be used to analyse how a company is managing its working capital.

Indicative content which outlines the scope of learning expected:

- The cash conversion cycle (CCC)
  - definition of the cash conversion cycle
  - interpreting the information

2.3 Calculating the Cash Conversion Cycle

LO10 Compute the cash conversion cycle.

Indicative content which outlines the scope of learning expected:

- Calculating the CCC

2.4 Receivables management

LO11 Evaluate the different ways in which the cash manager can manage and improve receivables management at a company.

Indicative content which outlines the scope of learning expected:

- Receivables management
  - responsibility for the receivables function
  - the cost of outstanding receivables
  - cross-border collections management
  - improving receivables
  - trade discounts
  - the calculating the cost/value of trade discounts

2.5 Payables management

LO12 Evaluate the different ways in which the cash manager can manage and improve payables management at a company.

Indicative content which outlines the scope of learning expected:

- Payables management
  - achieving a commercial balance
  - method of payment
  - improving payables

2.6 Trade financing vehicles

LO13 Identify the ways in which cash can be released back into the operating cycle using trade financing vehicles.

Indicative content which outlines the scope of learning expected:

- Trade financing vehicles
  - acceptance financing
  - banker's acceptance
  - acceptance credit
  - factoring and invoice discounting
  - forfaiting
  - supply chain financing (SCF)
  - trade credit
  - trade bills of exchange
  - inventory financing
  - e-invoicing

2.5 Bank services for managing float

LO14 Evaluate the benefit of using banking services designed to manage both collection and disbursement float.

Indicative content which outlines the scope of learning expected:

- Bank services for managing float
  - lockboxes
    - retail lockbox
    - wholesale lockbox
    - hybrid lockbox
    - electronic lockbox
    - lockbox benefits for giro credits
  - calculating cost/benefit of a lockbox
  - intervention accounts
  - remote disbursement
  - direct collections

ACT

Competency Framework

GLOBAL TREASURY STANDARDS

ACT COMPETENCY FRAMEWORK

The result of consultation with senior treasurers, banks and learning and development teams, the framework defines the competencies treasurers need to operate successfully in global business today. The skills a treasurer needs over their career varies according to seniority. The competencies have been benchmarked and mapped to four job levels; tactical, operational, managerial and strategic.

The content of this syllabus introduces the skills required to operate at a tactical level.

Strategic Level
Managerial Level
Operational Level
Tactical Level

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