



Institute
and Faculty
of Actuaries

Associateship Qualification

Business Finance (CB1)

Core Principles

Syllabus for the 2027 Examinations

April 2026

Business Finance (CB1)

Syllabus for the 2027 Examinations

This syllabus includes information to support the study of this subject. It will guide you through what you need to learn, application of learning as well as the skills that you need to develop. Information regarding the assessment of this subject is also included.

This syllabus includes:

- Aim of the subject
- How this subject links across the Qualifications
- Subject topics and topic weightings
- Subject objectives
- Assessment information

Aim

Develop an understanding of the key principles underpinning corporate finance and governance, including a knowledge of the instruments used by companies to raise finance and manage financial risk. The understanding and interpreting of the accounts and financial statements of companies as well as financial institutions is also developed.

Links across the Qualifications

Associateship Qualification

Business Finance (CB1) is considered a fundamental subject contributing to the foundations of the Associate Qualification. Knowledge gained from this subject is implicitly assumed and applied across many other subjects, in particular:

- Business Economics (CB2)
- Business Management (CB3)
- Actuarial Mathematics for Modelling (CM1)
- Actuarial Practice (CP1)

Fellowship Qualification

An understanding of Business Finance may be required for any of the Specialist Advanced (SA) examinations, particularly as these examinations tend to focus on “real world” scenarios, and the subject is particularly relevant for the potential scenarios presented in Investment & Finance Specialist Principles (SP5), Pensions & Other Benefits (SA4) and Investment & Finance (SA7) examinations. Economic judgement should be applied and considered across all Specialist Principles (SP) and Specialist Advanced (SA) subjects.

Topics and Topic Weightings

1. Corporate governance and organisation [18%]
2. How corporates are financed [35%]
3. Evaluating projects [15%]
4. Constructing and interpreting company accounts [32%]

Objectives

1 Corporate governance and organisation [18%]

Understand corporate governance and regulation and the different objectives and stakeholders that companies might try to satisfy.

- 1.1 The regulation of financial reporting of incorporated entities
- 1.2 Key principles of corporate governance and the regulation of companies
- 1.3 Key principles of finance
 - 1.3.1 Relationship between finance, real resources and objectives of an organisation
 - 1.3.2 Relationship between the stakeholders in an organisation (including lenders and investors)
 - 1.3.3 Role and effects of the capital markets
 - 1.3.4 Maximisation of shareholder wealth and the strategies designed to achieve it
 - 1.3.5 Problems relating to the maximisation of shareholder wealth in practice: social responsibility concerns, agency problems and divergent objectives
 - 1.3.6 Determinants of value and the actions managers can take to influence value
- 1.4 Ethical responsibilities of the owners and managers of businesses

2 How corporates are financed [35%]

Know the different types of corporations, how they are structured and financed and factors which should be considered when deciding on their structure.

- 2.1 Structure and methods of financing a company
 - 2.1.1 Characteristics of sole traders, partnerships, limited companies and social enterprises as business entities
 - 2.1.2 Different types of loan and share capital
 - 2.1.3 Authorised and issued share capital
 - 2.1.4 The main differences between a private and public company
 - 2.1.5 Advantages to a company of limited liability
 - 2.1.6 Different types of medium-term company finance:
 - Credit sale
 - Leasing
 - Bank loans

- 2.1.7 Different types of short-term company finance:
 - Bank overdrafts
 - Trade credit
 - Factoring
 - Bills of exchange
 - Commercial paper
- 2.1.8 Alternative methods of raising finance outside the regular banking system, including 'shadow banking', direct project financing, peer-to-peer lending, crowd-funding and micro-finance
- 2.2 Principles of personal and corporate taxation
 - 2.2.1 Taxation of personal income and capital gains
 - 2.2.2 Company taxation, including for the individual shareholder
 - 2.2.3 Different systems of company taxation from the points of view of an individual shareholder and the company
 - 2.2.4 The principles of double taxation relief in the international corporate tax system
 - 2.2.5 Taxation and the use of offshore investment funds
- 2.3 Principal forms of financial instrument issued or used by private companies and the ways in which they may be issued
 - 2.3.1 Reasons for seeking a quotation on a stock exchange
 - 2.3.2 How shares are issued and traded
 - 2.3.3 The advantages and disadvantages of remaining as a private company versus becoming a publicly quoted company
 - 2.3.4 Characteristics of the following:
 - Debenture stocks
 - Unsecured loan stocks
 - Eurobonds
 - Preference shares
 - Ordinary shares
 - Convertible unsecured loan stocks
 - Convertible preference shares
 - Contingent convertibles
 - Floating rate notes
 - Subordinated debt
 - Asset-backed securities
 - Options issued by companies

- 2.3.5 Characteristics and possible uses by a non-financial company of:
 - Financial futures
 - Options
 - Interest rate and currency swaps
- 2.3.6 Methods of obtaining a quotation for securities:
 - Offer for sale
 - Offer for sale by tender
 - Offer for subscription
 - Placing
 - Introduction
- 2.3.7 Rights issue to existing shareholders
- 2.3.8 Role of underwriting in the issue of securities
- 2.4 Factors a company should consider when deciding on its capital structure and dividend policy
 - 2.4.1 Impact of chosen capital structure on the market valuation of the company
 - 2.4.2 Impact of taxation on the capital structure chosen by a company
 - 2.4.3 Principal factors a company should consider in setting dividend policy and the impact on the market valuation
 - 2.4.4 Alternative ways of distributing profits, such as buybacks
- 2.5 Corporate growth, restructuring and divestment
 - 2.5.1 Why companies want to grow larger, how companies achieve internal growth and the relationship between growth and profitability
 - 2.5.2 Constraints on a company's growth
 - 2.5.3 Why a company may wish to divest subsidiaries or business units

3 Evaluating projects [15%]

Understand the evaluation of investment projects in a corporate setting.

- 3.1 Interaction of the cost of capital of a company with the nature of the investment projects it undertakes
 - 3.1.1 A company's cost of capital
 - 3.1.2 The calculation of a company's weighted average cost of capital
 - 3.1.3 Principal methods used to determine the viability of a capital project
 - 3.1.4 Cash flow projections and the application of techniques to estimate cashflows
 - 3.1.5 Methods used to evaluate risky investments including simulation, scenario planning and certainty equivalents
 - 3.1.6 Determination of the required rate of return for a capital project

- 3.1.7 Factors underlying the choice of discount rate within project assessment, including:
 - Assumptions underlying the limitations of the use of the weighted average cost of capital
 - Allowance for leverage
 - Allowance for risk
- 3.1.8 Methods to identify risks present for different types of projects
- 3.1.9 Techniques to identify the probability and financial impact of different risks occurring over varying timescales
- 3.1.10 Techniques to ascertain the distribution of possible financial outcomes of a capital project

4 Constructing and interpreting company accounts [32%]

Understand the construction and interpretation of company accounts.

- 4.1 Basic construction and principal features of the different types of company accounts and reports
 - 4.1.1 Reasons why companies are required to produce annual reports and accounts
 - 4.1.2 Value of financial reporting on environmental, social and economic sustainability
 - 4.1.3 Alternatives to traditional financial reporting
 - 4.1.4 Relevant accounting concepts in the drawing up of company accounts
 - 4.1.5 The purpose of:
 - A statement of financial position
 - A statement of comprehensive income
 - A cash flow statement
 - The notes to the accounts
 - 4.1.6 The construction of simple statement of financial position and statement of profit or loss
 - 4.1.7 Interpretation of cash flow statements
 - 4.1.8 The basic structure and content of insurance company accounts
 - 4.1.9 The basic structure and content of banking company accounts
 - 4.1.10 Difference between a subsidiary company and associate company
 - 4.1.11 Purpose of consolidated accounts
 - 4.1.12 Treatment of depreciation in company accounts
 - 4.1.13 Meaning of share capital, other reserves and retained earnings
- 4.2 Interpreting company accounting information
 - 4.2.1 Priority percentages and gearing
 - 4.2.2 Interest cover and asset cover for loan capital
 - 4.2.3 The impact of interest rate movements on a highly geared company
 - 4.2.4 The price earnings ratio, dividend yield, dividend cover and Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)

4.2.5 The calculation of accounting ratios that indicate:

- Profitability
- Liquidity
- Efficiency

Assessment

This subject will be assessed via one online written examination paper.

- Assessment time is 3 hours and 20 mins (including reading time).

Topic weighting

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus. The examination can be composed of questions drawing from any part of the syllabus within any examination sitting and using any command verb. This includes knowledge, techniques, principles, theories, and concepts as specified. Candidates should not rely on past papers alone and should ensure they have covered the entire syllabus as part of their learning and development of this subject. A list of command verbs used in the examinations is included on the IFoA website.

In each examination, candidates will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess your understanding of that knowledge as well as through questions that ask you to apply relevant knowledge to scenarios.
- Application will be demonstrated through answering questions which assess that you can identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess that you can use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

As a guide, in the examination of this subject, you can expect that approximately 30% of the total number of marks for this examination be allocated to the demonstration of knowledge, 50% to application and 20% to higher order.

IFoA Guidance and Regulations

Please ensure you have read and understood the Assessment Regulations and Examinations handbook ahead of your exam. Useful and important information can be found in the Qualifications Handbook. These are all available on the IFoA website.

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