



Institute of Actuaries of India

Statutory body established under an Act of Parliament

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
Plot no R-1, Sector 40, Nerul Road, Navi Mumbai - 400706
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Subject

C2 – Accounting and Finance



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COURSE STRUCTURE

SECTION	TOPIC	WEIGHTAGE
I	Financial environment and sources of finance	10-15%
II	Financial statements - accounting, analysis and reporting	35-45%
III	Financing decision, Capital Structure and Capital budgeting	25-35%
IV	Financial risk management and corporate governance	10-15%

TENTATIVE CHAPTER NAMES UNDER EACH SECTION WITH EXPECTED LEARNING OUTCOMES:

Section I: Financial environment and sources of finance

- Financial Markets and business organisation
- Financial Institutions and intermediaries
- Regulation and Taxation
- Sources of finance and financial instruments
- Raising capital from capital markets
- Alternative finance

Section II: Financial statements - accounting, analysis and reporting

- Preparation of financial statements
- Accounting of Insurance companies
- Group and consolidated accounts
- Depreciation, goodwill and reserves
- Ratio analyses and interpretation of accounts
- Historical cost vs Fair value accounting
- ESG practices and sustainability reports
- Business projections and forecasts

Section III: Financing decision, Capital structure and project appraisal

- Financial leverage and optimum capital structure
- Cost of capital
- Dividend policy, Market valuation and Capital restructuring
- Project appraisal and investment decision

Section IV: Financial risk management and corporate governance

- Risk management process
- Corporate Governance framework
- Financial derivatives to manage risk



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Detailed syllabus and learning outcomes of this course:

SR.NO.	EXPECTED LEARNING OUTCOME	SECTION
A	Define/Outline/Summarize	
1	Organization's financial objectives	I
2	Sources of finance	I
3	Role of various stakeholders	I
4	Role of capital markets	I
5	Impact on shareholder wealth of:	I
	▪ Separating ownership from management	
	▪ Agency costs	
	▪ Conflict of interest	
	▪ Information asymmetries	
6	Corporate social responsibility	I
	How to value shareholder wealth	
7	Types of business entities	I
8	Types of long-term finance	I
	▪ Types of loans - bonds/debentures etc.	
	▪ Types of shares - equity/preference etc.	
9	Types of medium-term finance	I
	▪ Working capital bank loans	
	▪ Leasing	
	▪ Hire purchase	
10	Types of short-term finance	I
	▪ Credit purchases	
	▪ Bank overdrafts	
	▪ Factoring	
	▪ Bills of exchange	
11	Alternative methods of finance	I
	▪ Angel investors	
	▪ Crowd sourcing	
	▪ Micro finance	
	▪ NBFCs	
12	Listing methods:	I
	▪ IPOs / offer for sale	
	▪ Book building / offer for sale by tender	
	▪ Private placement	
	▪ Preferential issue	
	▪ Qualified Institutional placement	
	▪ Introduction to stock exchange without raising finance	
13	Issues to existing shareholders	I
	▪ Rights issue	
	▪ Bonus issue	



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SR.NO.	EXPECTED LEARNING OUTCOME	SECTION
14	Role of the following in share issue:	I
	▪ Underwriting	
	▪ Issuing house	
15	Specific risk and Systematic risk	III
16	Sources of systematic risk	III
17	Cost of Capital	III
18	Methods of capital project appraisal:	III
	▪ Net present value	
	▪ Internal rate of return	
	▪ Payback period	
	▪ Shareholder value approach	
19	Annual depreciation charge	III
	Techniques of estimating cashflows	
20	Purpose of budgets and forecasts	II
B	Describe/explain	
21	Principles of:	I
	▪ Direct vs indirect taxes	
	▪ Personal vs Corporate taxes	
	▪ Income tax vs Capital gains tax	
22	Double taxation relief and tax breaks	I
	Characteristics of:	
	▪ Bonds	
	▪ Debentures	
	▪ Unsecured loans	
	▪ Preference shares	
	▪ Equity	
	▪ Convertible vs non-convertible	
	▪ Redeemable vs irredeemable	
	▪ Subordinated loans	
23	▪ Eurobonds/External bonds	IV
	▪ Stock options	
	Characteristics of:	
	▪ Forwards and financial futures	
24	▪ Options	III
	▪ Swaps	
	Relationship between capital structure and:	
25	▪ Market valuation	III
	▪ Taxation	
	▪ Dividend / profit distribution policy	
25	Relationship between dividend policy and:	III
	▪ Taxation	
25	▪ Market valuation	III



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SR.NO.	EXPECTED LEARNING OUTCOME	SECTION
26	Ways a business entity can grow:	III
	▪ Organic way (internal growth)	
	▪ Inorganic way (external growth)	
27	Organic ways of growth:	III
	▪ Horizontal	
	▪ Vertical	
	▪ Diversification	
28	Inorganic ways of growth:	III
	▪ Mergers & its characteristics	
	▪ Acquisitions - process of acquiring & identifying target	
	▪ buy outs -LBOs, MBOs	
29	Internal and external factors that affect business growth	III
30	Relationship between business growth and:	III
	▪ Capital restructuring	
	▪ Profitability	
31	Weighted Average Cost of Capital	III
32	Assessing project risk based on timing and certainty of cashflows	III
33	Incorporate project risk in assessment using:	III
	▪ Risk adjusted discount rates	
	▪ Probability adjusted expected cashflows	
	▪ Sensitivity and scenario analysis	
	▪ Simulation methods	
34	Fundamental principles and concepts of accounting	II
35	Value and purpose of:	II
	▪ Financial reporting and disclosures	
	▪ Balance sheet (statement of financial position) and P&L account (income statement)	
	▪ Other comprehensive income statement	
	▪ Cashflow statement	
	▪ Notes to accounts	
36	Group company	II
	▪ Parent/holding company	
	▪ Subsidiary company	
	▪ Associate company	
37	Accounting of certain specific items (for consolidated group accounts and individual accounts):	II
	▪ Depreciation	
	▪ Goodwill	
	▪ Technical reserves	
	▪ Shareholder reserves	
	▪ Retained earnings	
38	Need for, and techniques used in, interpreting accounts	II



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SR.NO.	EXPECTED LEARNING OUTCOME	SECTION
39	Limitations in interpreting financial statements and accounts	II
C	Discuss/examine	
40	Advantages & disadvantages of:	I
	▪ Limited company	
	▪ Private vs public limited company	
	▪ Listing	
41	Factors impacting required rate of return and choice of discount rate	III
42	Risk management process:	IV
	▪ Identification	
	▪ Analysis	
	▪ Mitigation	
44	Techniques in ascertaining probability for probability adjusted expected cashflows	III
45	Probability distribution of cashflows vis-à-vis that of financial outcomes of a project	III
46	Ways company accounts may be manipulated to misinform and how to identify the same	II
47	Methods to finance working capital	II
48	Ways in which short term liquidity of a company may be safeguarded	II
49	Dividend payout ratio and a sustained dividend policy	II
D	Calculate/evaluate	
50	WACC of a company	III
51	Using CAPM methods:	III
	▪ Cost of equity	
	▪ Cost of debt	
52	Ratios and quantities	II
	▪ Gearing / leverage ratio & priority percentages	
	▪ Interest cover & Asset cover	
	▪ EBIT and EBITDA	
	▪ EPS and Price to earnings	
	▪ Dividend yield rate	
	▪ Dividend cover	
	▪ Dividend payout ratio	
	▪ Profitability ratios	
	▪ Liquidity ratios	
	▪ Operating ratios	
E	Construct/prepare	
53	Financial statements - balance sheet, profit & loss, cashflow statements	II
54	Consolidated accounts	II
55	Business projections and budgets	II
