

## H11FM FINANCIAL DECISION MAKING SYLLABUS

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### COURSE AIM

The Financial Decision Making course aims to provide students with a set of accounting and financial tools that enables them to interpret and critique financial information from a variety of sources and to make informed and effective financial decisions that directly impact company operations.

### COURSE SYNOPSIS

The course provides a practical approach to the crucial accounting and finance issues that affect organisations in today's business environment. First, to contextualise, the course describes 'the financial landscape'. The course then examines the application of financial and management accounting 'tools' relevant to critical financial decisions, including key performance indicators, breakeven analysis, basic working capital management and the budgeting process. This is followed by a consideration of financial management and the decisions faced by organisations on investment (what projects), finance (what type of finance) and dividend (pay or retain) and how an organisation analyses and acts on each of those decisions.

### COURSE LEARNING OUTCOMES

On completion of this course students will be able to:

- Explain the financial performance of companies from analysing their financial statements.
- Select the appropriate management accounting techniques to provide management with key information to support financial decisions.
- Select the appropriate financial techniques to value companies and the projects to optimise decision making.
- Justify the decisions that companies make over their financing and payout announcements.
- Construct financial reports on company performance for managers and investors from both an accounting and finance framework.

### COURSE STRUCTURE

The course is broken down into 8 learning modules as follows:

## Module 1: The Financial Landscape

The aim of this module is to introduce students to the key features of financial accounting, management accounting and financial management and how these three aspects inter-link within the stakeholder, economic and financial markets background within which they function

At the end of this module students will be able to:

- appreciate the financial landscape and how it impacts on finance, accounting and financial management
- identify key stakeholders in an organisation and its financial objectives
- critically analyse the checks and balances on corporate financial activity including the role of the board of directors and the audit process

Topics covered are as follows.

- How a business works
  - Overview of financial accounting, management accounting and financial management
  - Profit versus cash
  - Economic environment
  - Financial markets
  - Stakeholders
  - Checks and balances on corporate financial activity
  - Accounting, finance and ethics
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## Module 2: Financial Accounting

The aim of this module is to equip students with the critical knowledge to be able to critically analyse and interpret external corporate financial statements

At the end of this module students will be able to:

- understand and analyse an organisation's income statement, statement of financial position and historic cash flow statement and provide comment on the organisation's performance, its assets and liabilities and its cash position
- compile and interpret a cash flow statement using the information provided by the income statement and statement of financial position
- Calculate a range of relevant ratios from a company's financial statements, interpret and analyse them and provide a meaningful commentary on the financial performance of a business, using the calculated ratios to illustrate it

Topics covered are as follows:

- Recording transactions
- Building a set of financial statements
- Reporting performance
- Reporting financial position
- Reporting cash flows
- Subjective issues in financial statements
- Interpreting financial performance and position

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### Module 3: Working Capital Management

The aim of this module is to enable students to identify, analyse and critically assess an organisation's management of the key components and elements of working capital

At the end of this module students will be able to:

- Identify the particular components of working capital in any given scenario
- Determine, analyse and interpret the adequacy of working capital elements at different levels of business activity
- Critically evaluate how an organisation finances its working capital requirement

Topics covered are as follows:

- Working capital overview and definitions
- Working capital cycle
- Working capital funding strategies

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### Module 4: Management Accounting

The aim of this module is to equip students with a critical knowledge and understanding of key management accounting techniques and how to select and apply these in making informed decisions in both internal and external business scenarios.

At the end of this module students will be able to:

- Explain and apply relevant costing principles in a decision-making scenario
- Calculate and evaluate the breakeven position for an organisation
- Identify scarce resources and apply limiting factor analysis in a given scenario
- Apply appropriate methods of overhead allocation

Topics covered are as follows:

- Relevant costs for decision making
- Cost-volume-profit (CVP) and breakeven analysis
- Cost management and allocating overheads

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### Module 5: Budgeting

The aim of this module is to equip students with an understanding of the budgeting process and the preparation and use of profit and cash forecasts to make critical business decisions and introduces various means of measuring performance

At the end of this module students will be able to:

- Evaluate appropriate budgeting systems in a given scenario
- Apply critical quantitative techniques in the budget process
- Identify the critical numeric components of a budget and how to compile these into profit budget and cash budgets

- Develop a critical understanding of the budget control process and calculate appropriate variances between budgeted and actual results

Topics covered are as follows:

- Types of budgeting systems
  - Quantitative forecasting techniques
  - Budget compilation
  - The control process
  - 'Beyond budgeting'
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### Module 6: Financial Tools

The aim of this module is to equip students with a thorough understanding of the fundamental financial tools and valuation techniques required in the capital investment appraisal process

At the end of this module students will be able to:

- Calculate, analyse and interpret the basic financial appraisal techniques of accounting rate of return and payback period
- Understand and apply discounting techniques in a financial appraisal scenario
- Calculate the cost of equity, the cost of debt and the weighted average cost of capital and apply these in a financial appraisal scenario

Topics covered are as follows:

- Basic financial appraisal techniques
  - Use of discounting techniques
  - Required rate of return and cost of capital
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### Module 7: Capital Budgeting and Investment Appraisal

The aim of this module is to provide students with a critical knowledge of the capital budgeting process in order to allow them to make informed, reasoned and sustainable capital investment decisions

At the end of this module students will be able to:

- Demonstrate a critical understanding of the long-term investment appraisal process
- Identify, calculate and apply the relevant cash flows and cost of capital in an investment appraisal scenario
- Develop a critical understanding of the impacts of taxation, inflation and working capital on the cash flows used in capital investment appraisal
- Identify and apply appropriate risk and uncertainty measures in the investment appraisal process

Topics covered are as follows:

- The capital investment appraisal process
- Estimating the numbers required
- Risk and uncertainty

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## Module 8: Financing and Payout Policy

The aim of this module is to provide students with the key knowledge and understanding of capital structure, dividend policy and currency/interest rate risks to enable them to propose reasoned solutions to questions on capital financing and payout decisions.

At the end of this module, students will be able to:

- Identify and discuss short term and long term types of finance
- Develop a critical understanding of the capital structure decision in a commercial organisation
- Assess the impact of both debt and equity finance in a given scenario
- Discuss how a company determines its dividend policy and demonstrate a critical understanding of the practical influences on the dividend decision

Topics covered are as follows:

- Types of finance
- Capital structure
- Dividend policy

## ASSESSMENT

The course is assessed by a final online assessment, accounting for 100% of the overall mark.

There is no choice in the selection of questions to be answered. The paper is in two sections:

| Section | Content                                                                                                                                                               | Marks |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1       | 2 x mini-scenarios, each comprising one or more short questions with each mini-scenario worth 10 marks                                                                | 20%   |
| 2       | 3 x larger scenario-based case studies, comprising a mix of numeric and narrative assessment, worth 80 marks in total (each case study worth between 20 and 35 marks) | 80%   |
| Total   |                                                                                                                                                                       | 100%  |