

Syllabus Outline Finance for Decision Making

NQF8

Prescribed textbooks: Skae, et al *Managerial Finance* 10th ed (2023) LexisNexis (MF)
 M Graham et al *Understanding Financial Statements* 3rd ed (2016) Cape Business Seminars (UFS) (obtainable online
 from: <http://understandingfinancialstatements.com/cbs/understandingfinancialstatements.html>)

The aim of this subject is to develop knowledge of finance and accounting and the ability to use that knowledge to interpret financial and accounting information in order to provide advice to the board, or a similar decision-making body, in strategy development and/or decision making

Syllabus Topics	Topic content	Textbook
Learning outcome 1: Develop a working understanding of how financial statements and reports are prepared and evaluate them in order to provide insightful interpretation		
Financial statements and reports	Financial accounting concepts and principles	UFS Chapter 1 and 2
	Components of financial statements	UFS Chapter 4, 5, 6, 7, 8 and 12
	Financial reporting by groups of companies	UFS Chapter 10
	Analysis and evaluation of financial statements	UFS Chapter 3
	Accrual basis of accounting	UFS Chapter 2
	Going concern	UFS Chapter 2
	Relevance and faithful representation	UFS Chapter 2
	Statement of profit and loss and other comprehensive income	UFS Chapter 5
	Statement of change in equity	UFS Chapter 12
	Statement of financial position	UFS Chapter 7, 8 and 12
Statement of cash flow	UFS Chapter 6	
Learning outcome 2: Motivate for the need for regulating financial reporting by entities		
The necessity of financial accounting standards (i.e. reasons for regulating)	The need for regulating financial reporting by entities	UFS Chapter 4
	Agency theory for unregulated reporting*	UFS Chapter 9, 11 and 13 *Please see additional resources section below
	International Financial Reporting Standards (IFRS)	
	Need to achieve desired social goals – fairness of reporting, information symmetry, protection of investors	UFS Chapter 1 and 2
	Public interest argument supporting regulation*	UFS Chapter 4
	Private sector regulation of accounting standards: What it entails Benefits and concerns	
Learning outcome 3: Identify and critically evaluate sources of finance and their associated risks and returns		
Sources of finance and their associated risks and returns	Private versus public markets	MF Chapter 7: The financing decision
	Sources of funding	MF Chapter 7: The financing decision
	Conditions affecting financing	MF Chapter 7: The financing decision
	The market process of funds flow from investor to borrower and who the general market players are	MF Chapter 7: The financing decision

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	Historical returns	MF Chapter 7: The financing decision
	Historical standard deviations	MF Chapter 7: The financing decision
	Differences in ownership rights and obligations of cash, bonds and equity investments	MF Chapter 7: The financing decision
	Features, requirements and expectations of private investors versus public market investors	MF Chapter 7: The financing decision
	<ul style="list-style-type: none"> • Evaluate the features and use of: <ul style="list-style-type: none"> ○ Retained earnings ○ Working capital ○ Policies ○ Suppliers ○ Pledging ○ Short-term financial institutional loans ○ Long-term debt ○ Equity financing ○ Leasing ○ Sale of redundant assets ○ Crowd-funding and web-innovations ○ Grants 	MF Chapter 7: The financing decision
	<ul style="list-style-type: none"> • Evaluation of covenants and other financing conditions required by lenders with reference to: <ul style="list-style-type: none"> ○ Financial reporting ○ Financial ratios • Regulatory reporting 	MF Chapter 7: The financing decision
	<ul style="list-style-type: none"> • Debt covenants 	MF Chapter 7: The financing decision
Learning outcome 4: Critically analyse the fundamental financial decision-making theories and evaluate these for decision-making		
Fundamental financial decision-making theories	<ul style="list-style-type: none"> • Financial decisions for investing in equities 	MF Chapter 6: The investment decision
	<ul style="list-style-type: none"> • Financial decisions for investing in projects 	MF Chapter 5.7 only: Capital asset pricing model (CAPM)
	<ul style="list-style-type: none"> • Gordon's dividend discount model 	
	<ul style="list-style-type: none"> • Time value of money 	MF Chapter 6: The investment decision
	<ul style="list-style-type: none"> • Net present value (NPV) 	MF Chapter 6: The investment decision
	<ul style="list-style-type: none"> • Internal rate of return (IRR) 	MF Chapter 6: The investment decision
	<ul style="list-style-type: none"> • Profitability index 	MF Chapter 6: The investment decision
	<ul style="list-style-type: none"> • Budgeting and budgetary control 	https://www.youtube.com/watch?v=A9-RlvqY0s4 Please refer to the link above for more information on budgets and budgetary control.
	<ul style="list-style-type: none"> • Types of budgets including master budgets and flexible budgets. 	https://www.youtube.com/watch?v=A9-RlvqY0s4 Please refer to the link above for more information on master and flexible budgets
	<ul style="list-style-type: none"> • Accounts receivables 	MF Chapter 9: Working Capital Management
	<ul style="list-style-type: none"> • Management of inventory 	MF Chapter 9: Working Capital Management
<ul style="list-style-type: none"> • Accounts payable 	MF Chapter 9: Working Capital Management	

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	<ul style="list-style-type: none"> Leasing versus purchase 	MF Chapter 7: The Financing Decision
	<ul style="list-style-type: none"> Sale and leaseback 	MF Chapter 7: The Financing Decision
Learning outcome 5: Evaluate the capital structure of organisations and the cost of capital		
The nature and importance of capital structure and the cost of capital	<ul style="list-style-type: none"> Capital structure and cost of capital 	MF Chapter 4: Capital structure and the cost of capital
	<ul style="list-style-type: none"> Equity capital 	MF Chapter 5.7 only, CAPM.
	<ul style="list-style-type: none"> Issuing of shares 	MF Chapter 4: Capital structure and the cost of capital
	<ul style="list-style-type: none"> Loan capital 	MF Chapter 4: Capital structure and the cost of capital
	<ul style="list-style-type: none"> Capital gearing 	MF Chapter 4: Capital structure and the cost of capital
	<ul style="list-style-type: none"> Weighted Average Cost of Capital (WACC) 	MF Chapter 4: Capital structure and the cost of capital
	<ul style="list-style-type: none"> Dividend or internal investment 	MF Chapter 14: The dividend decision

Practical and work competencies

- Given the financial statements of a range of business entities, calculate and interpret ratios in a report to a client or stakeholder.
- Apply financial analysis skills in the facilitation of strategic decision making.
- Assess the features of alternative and diverse sources of finance and critically evaluate their appropriateness under different circumstances.
- Evaluate elements of risk, return and value in a range of strategic operational financial decisions and understand the implications in regulatory and governance terms of the consequences of doing so.
- Prepare reports to boards and senior managers setting out options for financial decision making.

Supplementary reading

M Graham et al *Understanding Financial Statements* 3 ed (2016) Cape Business Seminars (UFS)

Online resources:

- Agency Theory: <https://www.investopedia.com/terms/a/agencytheory.asp>
- Supporting Regulation: <https://www.ifac.org/system/files/publications/files/PPP1-Regulation-of-the-Accountancy-Profession.pdf>