

## Syllabus Outline Finance for Decision Making

**NQF8**

**Prescribed textbooks: Managerial Finance**

**Authors: Skae, et al.**

**Publisher: LexisNexis**

**Readings: see end of syllabus**

**Please note:**

- A prescribed textbook may not necessarily cover every aspect of a syllabus. The Institute examines [the syllabus](#) and any omissions from the textbook should be researched personally or be provided by your tuition provider.
- Our policy is that you should always use the latest edition of the textbook.
- Many publishers are no longer publishing hard copies and have switched to e-books.
- Some modules require prescribed readings which can be downloaded for personal use from the internet or the CSSA student portal. A list of online resources is provided at the end of the syllabus.

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
<b>Learning outcome 1:</b> Develop a working understanding of how financial statements and reports are prepared and evaluate them in order to provide insightful interpretation		
<ul style="list-style-type: none"> <li>• Financial accounting concepts and principles</li> <li>• Components of financial statements</li> <li>• Financial reporting by groups of companies</li> <li>• Analysis and evaluation of financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Accrual basis of accounting</li> <li>• Going concern</li> <li>• Relevance and faithful representation</li> <li>• Statement of profit and loss and other comprehensive income</li> <li>• Statement of change in equity</li> <li>• Statement of financial position</li> <li>• Statement of cash flow</li> <li>• Consolidated financial statements</li> <li>• Ratio analysis                             <ul style="list-style-type: none"> <li>• Horizontal analysis</li> <li>• Vertical analysis</li> </ul> </li> <li>• Cash flow analysis</li> <li>• Earnings management</li> </ul>	Chapter 8: Analysis of financial and non-financial information See list of online resources at the end of the syllabus for some topics
<b>Learning outcome 2:</b> Critically engage with the need for regulating financial reporting by entities		
<ul style="list-style-type: none"> <li>• The necessity of financial accounting standards (i.e. reasons for regulating)</li> </ul>	<ul style="list-style-type: none"> <li>• Agency theory for unregulated reporting</li> <li>• Public interest argument supporting regulation</li> <li>• Need to achieve desired social goals – fairness of reporting,</li> </ul>	<b>Readings:</b> See end of syllabus

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<ul style="list-style-type: none"> <li>• The conceptual framework of financial reporting</li> <li>• International Financial Reporting Standards (IFRS)</li> </ul>	<p>information symmetry, protection of investors</p> <ul style="list-style-type: none"> <li>• Private sector regulation of accounting standards:               <ul style="list-style-type: none"> <li>○ What it entails</li> <li>○ Benefits and concerns</li> </ul> </li> <li>• Public sector regulation of accounting standards:               <ul style="list-style-type: none"> <li>○ What it entails</li> <li>○ Benefits and concerns</li> </ul> </li> <li>• Legitimacy of the standard-setting process:               <ul style="list-style-type: none"> <li>○ Its ability to produce an optimal accounting system</li> <li>○ Pessimistic prognosis</li> <li>○ Optimistic prognosis</li> <li>○ Accounting standards overload</li> </ul> </li> <li>• The international approach</li> <li>• IASC's (International Accounting Standards Committee's) conceptual framework</li> <li>• The local approach</li> <li>• IASB's (International Accounting Standards Board's) objectives and the work that they are doing</li> <li>• IFRS and the world – convergence:               <ul style="list-style-type: none"> <li>○ Factors driving IFRS</li> </ul> </li> </ul>	
<b>Learning outcome 3: Identify and critically evaluate sources of finance and their associated risks and returns</b>		
<ul style="list-style-type: none"> <li>• Investor – borrower expectations</li> <li>• Private versus public markets</li> <li>• Sources of funding</li> <li>• Conditions affecting financing</li> </ul>	<ul style="list-style-type: none"> <li>• The market process of funds flow from investor to borrower and who the general market players are</li> <li>• Historical returns</li> <li>• Historical standard deviations</li> <li>• Differences in ownership rights and obligations of cash, bonds and equity investments</li> <li>• Features, requirements and expectations of private investors versus public investors</li> <li>• Evaluate the features and use of:               <ul style="list-style-type: none"> <li>○ Retained earnings</li> <li>○ Working capital</li> <li>○ Policies</li> <li>○ Suppliers</li> <li>○ Pledging</li> </ul> </li> </ul>	<p>Chapter 1: The meaning of financial management            Chapter 7: The financing decision            Chapter 7: The financing decision (see Annexure 1)            Chapter 9: Working capital management            Chapter 8: Analysis of financial and non-financial information            Chapter 10: Valuations of preference shares and debt</p>

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	<ul style="list-style-type: none"> <li>○ Short-term financial institutional loans</li> <li>○ Long-term debt</li> <li>○ Equity financing</li> <li>○ Leasing</li> <li>○ Sale of redundant assets</li> <li>○ Crowd-funding and web-innovations</li> <li>○ Grants</li> <li>● Evaluation of covenants and other financing conditions required by lenders with reference to:               <ul style="list-style-type: none"> <li>○ Financial reporting</li> <li>○ Financial ratios</li> <li>○ Regulatory reporting</li> <li>○ Debt covenants</li> </ul> </li> </ul>	
<b>Learning outcome 4:</b> Critically explore the fundamental financial decision-making theories and evaluate these for decision making		
Financial decisions for investing in equities Financial decisions for investing in projects Budgeting and budgetary control Working capital management	<ul style="list-style-type: none"> <li>● Portfolio theory               <ul style="list-style-type: none"> <li>○ Risk and return</li> <li>○ Risk-free investments</li> <li>○ Diversification</li> <li>○ Risk-free rate</li> <li>○ Efficient market hypothesis</li> <li>○ Earnings per share</li> </ul> </li> <li>● Gordon's dividend discount model</li> <li>● Capital Asset Pricing Model (CAPM); Systematic risk; <math>\beta</math> factor; <math>\alpha</math> values</li> <li>● Time value of money</li> <li>● Net present value (NPV)</li> <li>● Internal rate of return (IRR)</li> <li>● Profitability index</li> <li>● Types of budgets including master budgets and flexible budgets.</li> <li>● Accounts receivables</li> <li>● Management of inventory</li> <li>● Accounts payable</li> <li>● Leasing versus purchase</li> <li>● Sale and leaseback</li> </ul>	Chapter 5: Portfolio management and capital asset pricing model Chapter 6: The investment decision Chapter 7: The financing decision Chapter 9: Working capital management
<b>Learning outcome 5:</b> Conceptualise the nature and importance of capital structure and the cost of capital and evaluate these for decision making		
Capital structure and cost of capital	<ul style="list-style-type: none"> <li>● Equity capital</li> </ul>	Chapter 4: Capital structure and

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Syllabus Topics	Topic content	Textbook
	<ul style="list-style-type: none"> <li>• Issuing of shares</li> <li>• Loan capital</li> <li>• Capital gearing</li> <li>• Weighted Average Cost of Capital (WACC)</li> <li>• Dividend or internal investment</li> </ul>	the cost of capital  Chapter 14: The dividend decision

Practical work
<ul style="list-style-type: none"> <li>• Given the financial statements of a range of business entities, calculate and interpret ratios in a report to a client or stakeholder.</li> <li>• Apply financial analysis skills in the facilitation of strategic decision making.</li> <li>• Assess the features of alternative and diverse sources of finance and critically evaluate their appropriateness under different circumstances.</li> <li>• 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.</li> <li>• Prepare reports to boards and senior managers setting out options for financial decision making.</li> </ul>

### Online resources:

Ratio analysis: [https://youtu.be/Byr\\_FcQs\\_1o](https://youtu.be/Byr_FcQs_1o)

Vertical analysis: <https://www.youtube.com/watch?v=OT1BVZPNfks>

### Readings:

- The conceptual framework of financial reporting: <https://www.ifrs.org/issued-standards/list-of-standards/conceptual-framework/> - only available through a subscription
- IFRS 2010: <https://dart.deloitte.com/USDART/resource/7036afd8-3f7e-11e6-95db-2d5b01548a21>