

Syllabus Outline Finance for Decision Making

NQF8

**Prescribed textbooks: Skae, et al *Managerial Finance* 10th ed (2023) LexisNexis (MF)
Winfield, Graham & Miller *Understanding Financial Statements: A Guide For Non-Specialists* 4th ed (2024) Cape Business
Seminars) (UFS)**

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 |
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| 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* Private sector regulation of accounting standards: What it entails Benefits and concerns | UFS Chapter 4 |
| 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 | MF Chapter 7: The financing decision |

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| | and who the general market players are | |
| | 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 | |

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| | <ul style="list-style-type: none"> • Accounts payable | MF Chapter 9: Working Capital Management |
| | <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.

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>