**Financial Decision Making for Managers**

The aim of this unit is to develop the skills required for analysing financial information and making business decisions based on published financial information. Where appropriate, information about business structures and format of published financial statements can be taught in either a national or international context.

**Indicative Content**

**1. Be able to analyse published financial statements for business decision-making purposes**

Ownership structures

* Sole traders, partnerships, limited companies, public limited companies (plcs), public sector organisations, other less-used forms: charities, limited by guarantee, co-operatives, international business structures, implications for finance (share structures, availability of finance), control issues

Financial statements

* Structure of statements for each type of organisation, differences between organisations, reporting requirements (UK and/or international law and standards)

Structure, format and requirements of published accounts

* Role of auditors, published vs internal financial information, main published financial statements: statement of financial position, statement of financial performance (income statement), statement of cash flows, interpretation: comparisons between years and between companies, industry comparisons

Ratios

* Different ratios: profitability, liquidity, efficiency, capital, investor, using ratios: calculation and interpretation, industry benchmarking, limitations of ratio analysis

**2. Be able to analyse sources of finance available for long and short term business needs**

Business finance needs

* Long term – non-current assets
* Short-term – working capital; importance of working capital for business continuity

Implications

* Costs of finance, effect on financial statements – substance over form risk

Sources of finance

* Range of sources, external and internal sources, long-term and short-term role of stock markets and advantages, disadvantages of each source

Recommendations

* Matching source of finance to project (long or short term, external or internal, asset backed finance etc.), making, supporting recommendations

**3. Be able to analyse financial information for business decision making**

Budgets and cash flow

* Cash flow forecasts, budgetary control systems and budget formation and managing cash flow

Investment appraisal techniques

* Net present value, discounted cash flows, internal rate of return, payback, accounting rate of return

Recommendations

* Analysing results, non-financial considerations, decision making, supporting recommendations