



EDINBURGH
BUSINESS
SCHOOL

H11FM

Financial Decision Making Syllabus



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.

Contents

What has Changed from Accounting and Finance to FDM?	4
Course Synopsis	4
Course Structure	5
Module 1: The Financial Landscape	5-6
Module 2: Financial Accounting	6
Module 3: Working Capital Management	6-7
Module 4: Management Accounting	7
Module 5: Budgeting	7
Module 6: Financial Tools	8
Module 7: Capital Budgeting and Investment Appraisal	8
Module 7: Financing, Payout Policy and Management	8-9
Assessment	9

What has Changed from Accounting and Finance to FDM?

Both of the existing 'Accounting' and 'Finance' courses cover their subject matter in a detailed, technical and often abstract way with very little in the way of practical, real-life examples.

The new 'Financial Decision Making' [FDM] course merges the existing accounting and finance courses into one, removing more specialist theoretical topics not relevant to managers today and importing critical new practical tools, making the course accessible and real-life focused. There is an emphasis throughout on the practical understanding and applications of all aspects of accounting and finance and a reduction in the calculative aspects of the subject. The aim of FDM is to equip 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 their company operations and the stakeholders within.

The course starts with an introduction to the financial landscape within which organisations operate, then moves onto financial accounting and interpreting key performance indicators, the financing and management of working capital, management accounting with emphasis on decisionmaking tools and techniques and finally financial management, in particular the investment, financing and dividend decisions.

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, working capital management techniques 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 takes action on each of those decisions. The course concludes with an introduction to exchange rate and interest rate risk management.

Course Learning Outcomes

On completion of this course students will be able to:

- Develop an applied understanding of finance and accounting concepts relevant to general management roles.
- Critically analyse external financial statements and make informed decisions through the identification and application of appropriate KPIs
- Evaluate management accounting decision-making techniques and apply them in relevant internal and external situations
- Develop a critical awareness of the time value of money, risk, future returns and the capital investment decision
- Engage effectively in management discussions on finance and accounting issues
- Make informed, reasoned and sustainable decisions on capital investment programmes
- Critically analyse and propose reasoned solutions to questions of capital allocation, retention and distribution

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

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

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
- Apply and evaluate a variety of techniques used to manage the different components of working capital
- 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
- Inventory management
- Receivables management

- Payables management
- Cash management
- Working capital funding strategies

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
- Develop a critical understanding and application of target and life-cycle costing techniques

Topics covered are as follows:

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

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, such as learning curves, 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'

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

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

Module 8: Financing, Payout Policy and Risk Management

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, payout decisions and basic risk management.

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
- Assess the exchange rate risks and interest rate risks faced by a commercial organisation
- Identify, apply and evaluate basic methods of foreign currency risk management and interest rate risk management

Topics covered are as follows:

- Types of finance
- Capital structure
- Dividend policy
- Risk management

Assessment

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

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

Section	Exam	%
I	20 multiple choice questions worth two marks each	40
II	One mini-scenario with 5 questions worth 2 marks each	10
III	Two scenario based case studies, mix of numeric and narrative assessment, worth 50 marks in total (either 25+25 or 20+30)	30
TOTAL		100