



**PAN AFRICA SKILLS
& CONSULTING LTD**

Mastery of Management Graduate Diploma

on

Business Finance and Investment

A Program which considers the theories and practice, the objectives, context and processes of making business decisions about which investments to make and how best to finance them.



The Program sets the scene and discusses the factors which impact on how and why decisions are made. It considers managerial problems and conflicts of interest, the legal framework businesses operate in, and the sources and nature of information provided to financial decision makers by accounting reports.

The Program deals with the nature and importance of investment decisions and explanation of the major investment appraisal methods; practical aspects and the problems of shortages of finance; and how investments fit in with financial strategy, and the risk factors associated with investments.

Course Outline

Module 1 - The Business Finance Environment

The role of business finance
Investment and financing decisions
Risk and business finance
The relationship between business finance and accounting
The organisation of businesses
Limited companies, legal status and business
Formation of a limited company
Shareholders and directors
Accountability of directors
Recognition of companies
Long-term financing of companies; ordinary shares, preference shares, loans
Capital or financial gearing/leverage
Suppliers of corporate finance
Liquidation of companies
Derivatives

Module 2 - A framework for financial decision making

Financial decision making
Business objectives;
Profit; ROCE; Survival; Long-term stability; Satisficing; Shareholder wealth
Assembling and assessing data for decision making
Relevant and irrelevant costs
Monitoring the effects of decisions
Financing, investment and separation
Conflict of interests; agency problems
Borrowing and lending
Opportunity costs
Theory and practice of financial decision making
Formal derivation of the separation theorem

Module 3 - Financial accounting statements and their interpretation

The financial statements

Definitions and conventions of accounting

Problems with using accounting information for decision making

Income measurement and balance sheet values

Ratio analysis;

profitability ratios; activity ratios; liquidity ratios; investors ratios; other ratios

Limitations of accounting ratios

Using accounting ratios to predict financial failure

Module 4 - Investment appraisal methods

Investment decisions

Interest, inflation, risk

Net present value

Internal rate of return

Payback period

Accounting (unadjusted) rate of return

Shareholder wealth

Module 5 - Investment appraisal methods used in practice

Appraisal methods and corporative objectives

Discount factor tables and annuity factors

Practical aspects of investment appraisal

Cash flows compared to accounting flows

Roles of financial accounting and investment appraisal

Identifying relevant cash flows

Financing costs - the cost of capital

Timing and magnitude of cash flows

Taxation

Inflation

Investment appraisal

Capital rationing

Multiple-period capital rationing

Replacement decisions

Routines for identifying, assessing, implementing and reviewing investment projects

Investment appraisal and strategic planning

Value-based management

Shareholder value analysis (SVA)

Economic profit and economic value added (EVA)

Module 6 - Risk in investment appraisal

Formal consideration of risk in decision making processes

Sensitivity analysis

Use of statistical probabilities

Systematic and specific risk

Expected value

Portfolio effects

Utility theory

Attitudes to risk and expected value

The expected value/variance (or mean/variance) criterion

Particular risks associated with making investments overseas

Evidence on risk analysis in practice

Module – 7 Portfolio theory and its relevance to real investment decisions

Security investment and risk

Capital market efficiency

Portfolio theory

Capital asset pricing model

CAPM: an example of beta estimation

Assumptions of CAPM

Tests of CAPM

Implications of CAPM

Lack of shareholder unanimity on risky investment

Using CAPM to derive discount rates for real investments - the practical problems

Arbitrage pricing model

Diversification within the business

Appendix: Derivation of CAPM

