

Finance Management & Planning

Introduction to Finance

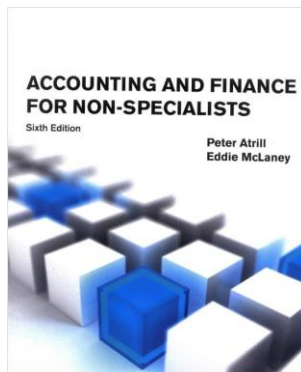
- **Course overview**
- **Learning Outcomes**
- **Assessment**
 - Business Report – max 3000 words
 - Powerpoint Presentation of a new project opportunity within your business (up to 10 slides)
- **Reading texts**
 - Atrill and McLaney – Accounting and Finance for Non Specialists
 - Fields (2006) the essentials of Finance and Accounting for Non Financial Managers
 - Fridson and Alvarez (2002) Financial Statement analysis – A Practitioners Guide
- **My Background**

Course Overview – Block A

1. Introduction to Finance
2. Costing Methodologies
3. Overview of Finance Statements
4. Finance Statements – P&L
5. Finance Statements – Balance Sheet
6. Finance Statements - Cashflow
7. Financial Ratios part 1 - Profitability and Liquidity
8. Financial Ratios part 2 - Activity and Leverage
9. Financial Ratios part 3 – Investment Ratios
10. Direct Learning Exercise
11. Recap of Ratios and the learning Exercise
12. Uni Break
13. Uni Break
14. Annual Report Review
15. Working Capital Management
16. Assignment workshop 1:1 's
17. Assignment workshop 1:1's
18. Guest Lectures
19. Guest Lectures
20. To be allocated.

Essential text

- Atrill and McLaney – Accounting and Finance for Non Specialists
- Fields (2006) the essentials of Finance and Accounting for Non Financial Managers
- Fridson and Alvarez (2002) Financial Statement analysis – A Practitioners Guide



Background reading:

- Arnold, G . (2013) Essentials of Corporate Financial Management, (2nd Ed). Pearson
- Atrill, P. (2014) Financial Management for Decision Makers, (7th Ed), Financial Times/Prentice Hall
- Mclaney, E.I. (2014) Business Finance Theory and Practice, (10th Ed). Financial Times/Prentice Hall
- Collier, Paul M. (2013), Accounting for Managers, 5th Edition, Wiley
- Davies, T. and Crawford, I. (2011) Business Accounting and Finance, FT Prentice Hall
- Dyson, R, (2010), Accounting for Non-Accounting Students, 8th Edition, Pearson
- Weetman, P. (2011), Financial and Management Accounting, 5th Edition FT Prentice Hall

Supporting texts & resources

Journals:

- Accounting
- Accounting and Business
- Accounting and Business Research
- Harvard Business Review
- Financial Management
- The British Accounting Review
- International Financial Management and Accounting
- Accounting and Finance
- Business Finance and Accounting

Useful Websites:

- www.bized.co.uk
- www.ftmanagement.com
- www.ft.com
- www.hescott.com
- www.accaglobal.com
- www.cimaglobal.com
- www.fma.org
- www.baa.group.shef.ac.uk

- What's your Finance experience ?
- What's your Current View on the Finance Teams in your organisation?
- What support do you require from Finance in your roles ?
- What are your expectations on completion of this course ?

AN ORGANISATION WILL PERFORM FIVE FUNCTIONS....

- Operate to produce revenues
- Invest in productive resources
- Raise finances
- Finance investments
- Make relevant decisions

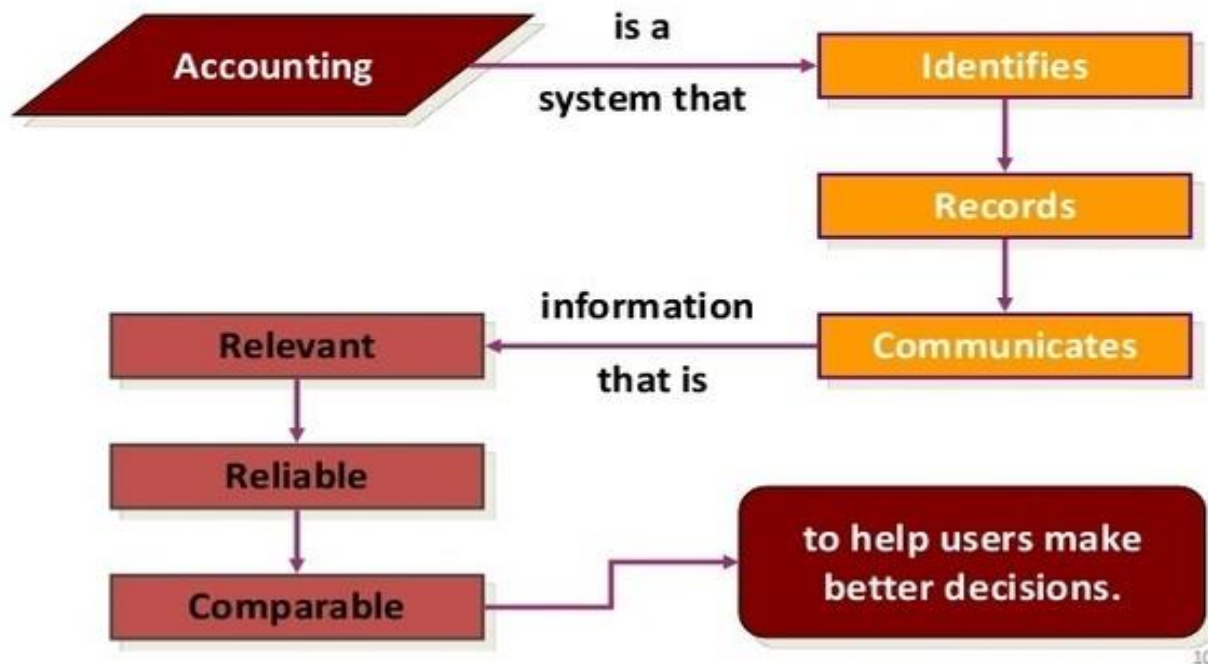
ACCOUNTANCY IS ONE OF FIVE VITAL OPERATIONS WITHIN AN ORGANISATION

- **PRODUCTION**
 - Goods produced efficiently & effectively
- **MARKETING**
 - Promotes product or service
- **DISTRIBUTION**
 - Transportation of products / Channels to market
- **HUMAN RESOURCES**
 - Recruits, disciplines and trains employees
- **ACCOUNTANCY**
 - Whole process is economically viable and profitable

1) What's is Accounting / Finance ?



Importance of Accounting



10

(What are the key differences?)

	Financial	Management
Users	External users	Internal users
Time Horizon	Historic information Generally Annual	Recent Past; Present; Future Depends on managers requirements
Focus	Position of all of business – verifiable evidence	Position on part of, or specific aspect of business – financial and non-financial information
Regulation	Compliance required to Companies Acts and Reporting Standards etc.	Internal use so unregulated
Reporting Criteria	Audited Compliance to standards	Internal use so no compliance required

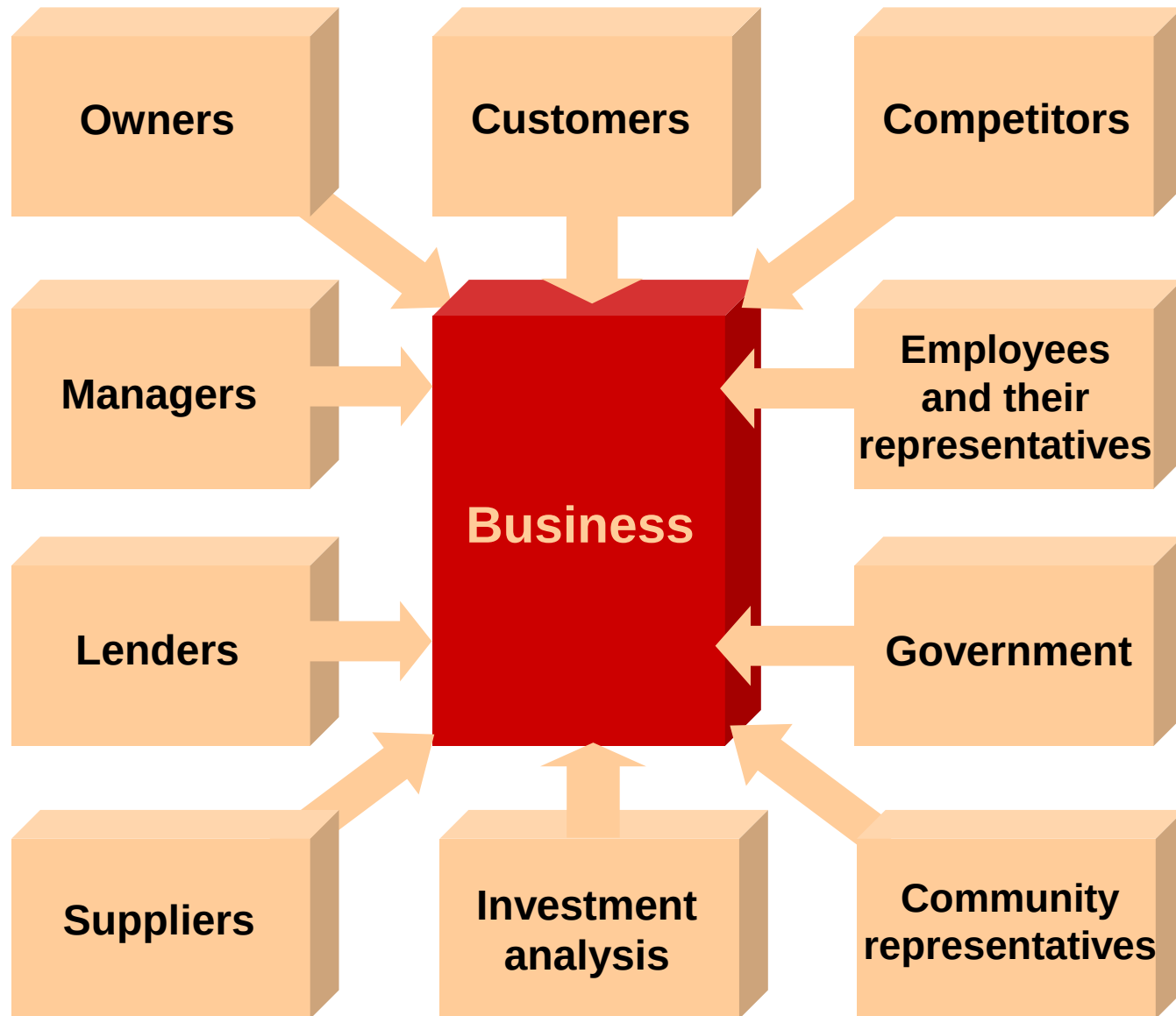
The major differences concern:



- 1) Discuss three internal & three external users of accounting information
- 2) Discuss three business objectives of a company
- 3) Discuss the qualities associated with good financial information



Main users of financial information relating to a business



BUSINESS OBJECTIVES

- Maximise shareholders wealth
- Maximise profits
- Maximise revenues
- Control costs
- Growth
- Stability
- Survival
- Stakeholder satisfaction

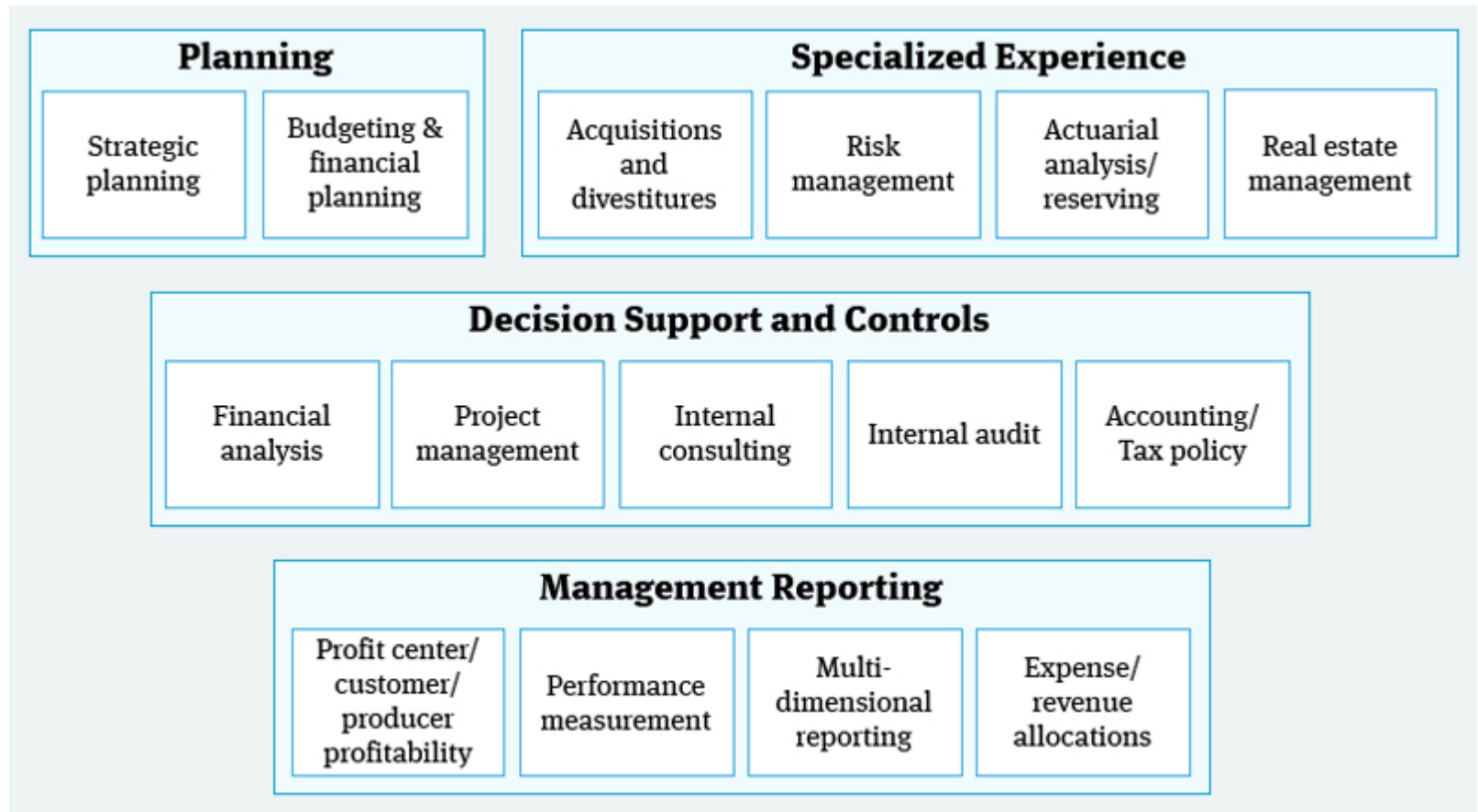
QUALITIES OF GOOD INFORMATION

- RELEVANT
- COMPLETE
- SUFFICIENTLY ACCURATE
- CONFIDENCE (UNDERSTANDABLE)
- TIMELY
- COMMUNICATED TO RELEVANT USERS
- MANAGEABLE
- OBJECTIVE

So what is the purpose of a Finance Department?

- Manages the organisation's money
- Processes the organisation's transactions
- Illustrates current and past performance
- Supplies timely business information to support business decisions.
- Manages expectations of stakeholders
- Helps support the planning process of the organisation
- Governance.

Different Roles and responsibilities





Increasing sophistication of customers



Development of global economy



Rapid changes in technology



Deregulation of domestic markets

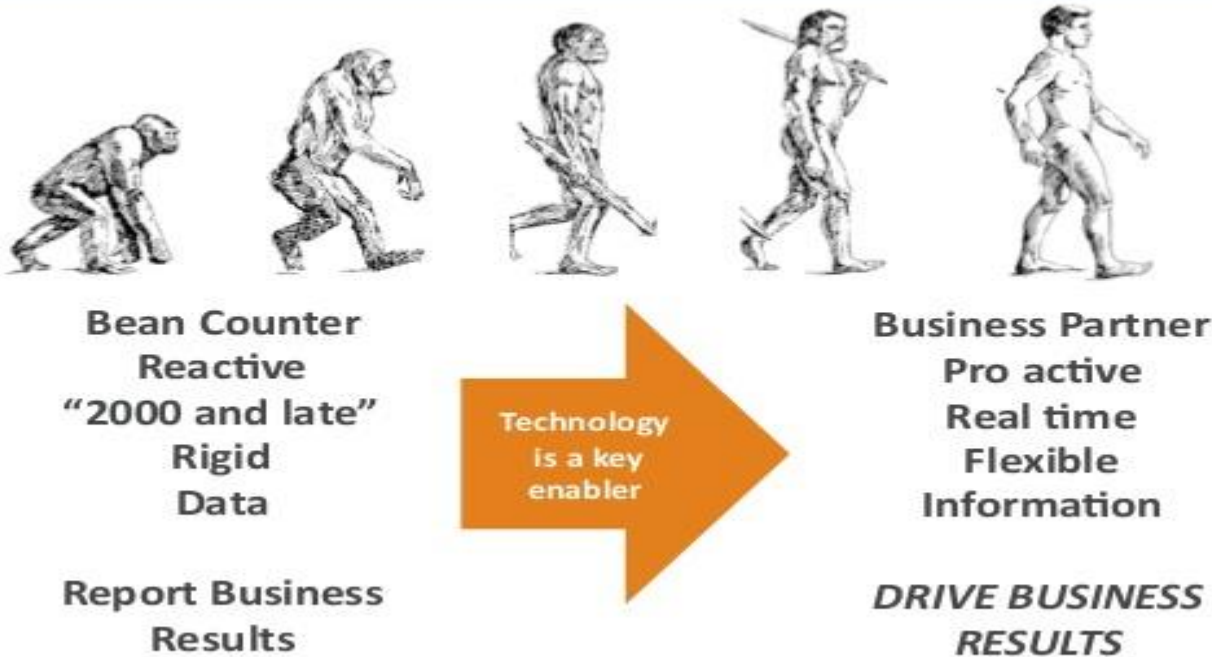


Increasing pressure from owners (shareholders) for competitive returns

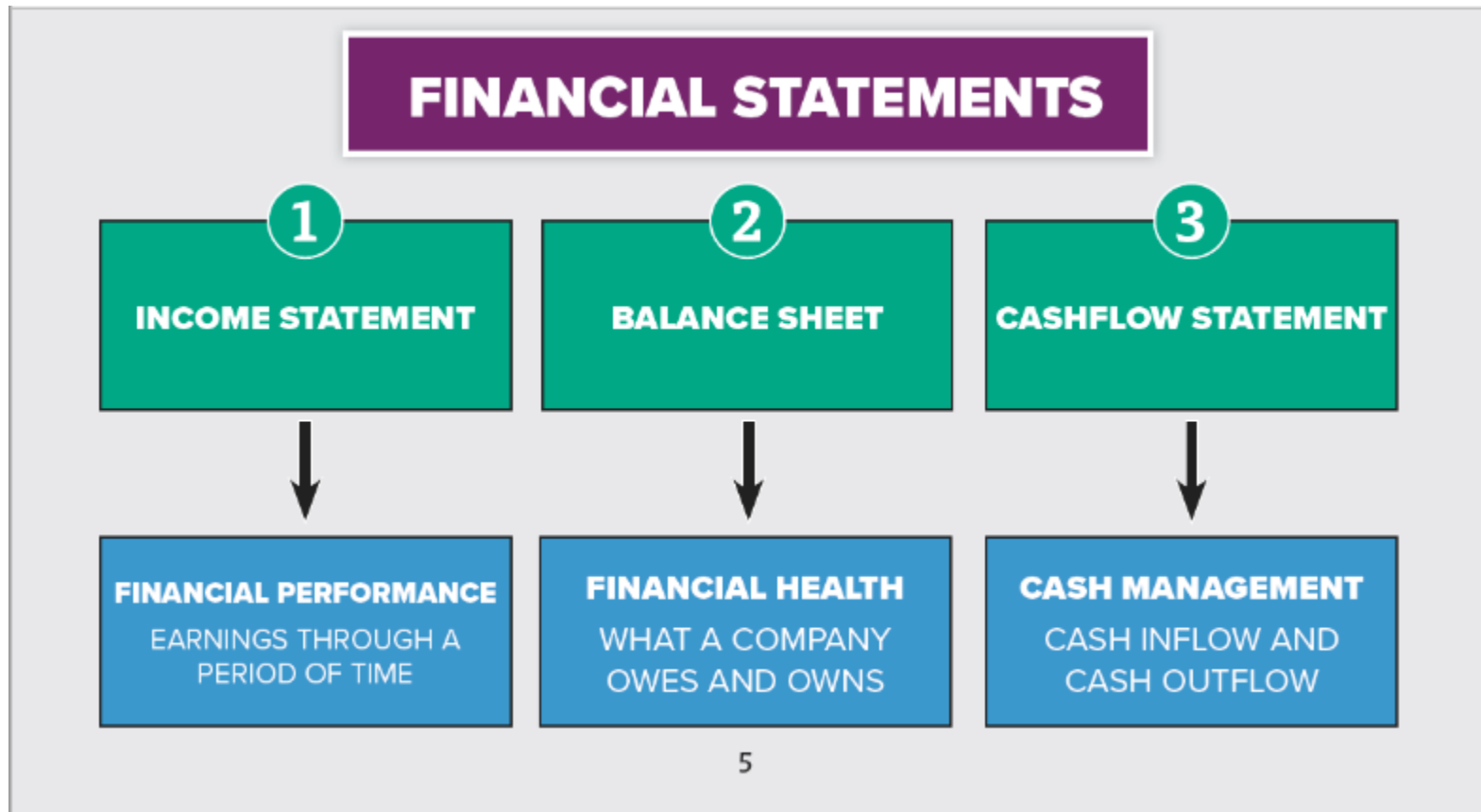


Increasing volatility of financial markets

The Evolving Role of Finance



Financial Statements



Financial Statements

- Overview of a business's performance through a specified period
- P&L
 - Business Performance
 - Revenue Levels
 - Cost of Good Sold
 - Gross margin
 - Overheads
 - Net Margin (EBITDA)
 - Usually compared to prior year
 - Internally compared to a forecast or budget
- Balance Sheet
 - Value of Assets and Liabilities within a business
- Cash-flow
 - How a businesses cash has flowed through the business.

Profit and loss statement example

Profit and loss of company XYX

Total revenue	£100,000
Cost of goods sold	£20,000
Gross profit	£80,000

Operating expenses

Salaries	£10,000
Rent	£10,000
Utilities	£5,000
Depreciation	£5,000

Total operating expenses	£30,000
Operating profit	£50,000
Interest expense	£10,000

Income before taxes	£40,000
Taxes	£10,000

Net income	£30,000
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Balance sheet example

TEDDY FAB INC. BALANCE SHEET December 31, 2100

ASSETS

Current assets

Cash and cash equivalents	\$ 100,000
Accounts receivable	20,000
Inventory	15,000
Prepaid expense	4,000
Investments	10,000
Total current assets	149,000

Property and equipment

Land	24,300
Buildings and improvements	250,000
Equipment	50,000
Less accumulated depreciation	(5,000)

Other assets

Intangible assets	4,000
Less accumulated amortization	(200)

Total assets **\$ 472,100**

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 30,000
Notes payable	10,000
Accrued expenses	5,000
Deferred revenue	2,000
Total current liabilities	47,000

Long-term debt 200,000

Total liabilities **247,000**

Shareholders' Equity

Common stock	10,000
Additional paid-in capital	20,000
Retained earnings	197,100
Treasury stock	(2,000)

Total liabilities and shareholders' equity **\$ 472,100**

	A	B	C	D	E
1			[Company Name]		
2			Cash Flow Statement		
3					
4			For the Year Ending	12/31/2008	
5			Cash at Beginning of Year	15,700	
6					
7			Operations		
8			Cash receipts from customers	693,200	
9			Cash paid for		
10			Inventory purchases	(264,000)	
11			General operating and administrative expenses	(112,000)	
12			Wage expenses	(123,000)	
13			Interest	(13,500)	
14			Income taxes	(32,800)	
15			Net Cash Flow from Operations	147,900	
16					
17			Investing Activities		
18			Cash receipts from		
19			Sale of property and equipment	33,600	
20			Collection of principal on loans		
21			Sale of investment securities		
22			Cash paid for		
23			Purchase of property and equipment	(75,000)	
24			Making loans to other entities		
25			Purchase of investment securities		
26			Net Cash Flow from Investing Activities	(41,400)	
27					
28			Financing Activities		
29			Cash receipts from		
30			Issuance of stock		
31			Borrowing		
32			Cash paid for		
33			Repurchase of stock (treasury stock)		
34			Repayment of loans	(34,000)	
35			Dividends	(53,000)	
36			Net Cash Flow from Financing Activities	(87,000)	
37					
38			Net Increase in Cash	19,500	
39					
40			Cash at End of Year	35,200	
41			© 2008 Vertex42 LLC	Templates by Vertex42.com	

- Articles to read from todays lecture

<https://www.thinkingcapital.ca/resources/how-to-make-critical-financial-decisions-for-your-business/>

https://thesunflowergroup.co.uk/wp-content/uploads/2017/07/EY_Financial_controller_changing_role.pdf

<https://smallbusiness.chron.com/role-finance-business-290.html>

<https://www.fm-magazine.com/issues/2020/feb/finance-business-partnering-key-competencies.html>

<https://www.accountancydaily.co/consequences-enron>

<https://www.investopedia.com/ask/answers/011315/what-difference-between-gaap-and-ifrs.asp>

- <https://www.pwc.com.au/consulting/assets/finance-effectiveness-benchmark-2017.pdf>

- Next Week
 - Ethics
 - Costing methodologies and terminologies