Botswana Institute of Banking & Finance

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COURSE OUTLINE

Finance for Non-Finance Managers (FNFM)

Course Overview

Finance for Non-Finance Managers is a 3 day course intended for non-finance professionals who are responsible for the key functional operations of the business with basic financial knowledge, skills and competences that empower them to interact with their finance expert peers. The course enunciates fundamental finance terminology and demystifies the jargon and the arithmetic that secludes non-financial professionals from participating in key planning and decision processes that are traditionally viewed as exclusively for financial professionals.

While this course has been designed to introduce finance to non-finance professionals, it is not intended for them to become finance experts. As such, the language has been toned down to a basic entry level to ensure their inclusion in key decisions that have a financial impact. The same goes with the math and the calculations, which have been kept so fundamental and easy to understand to enable non-finance professionals to easily accept and appreciate the discipline of finance. It is this acceptance that creates an environment of cooperation and coordination that demolishes departmental barriers, thus creating common organisational goal congruence.

The course has taken into cognizance that all key decisions taken by non-financial professionals have an ultimate financial impact. Whether it is sales, marketing, production, research, development, human resources, procurement, or administration, they will affect the finances and will eventually have a financial justification. As such, a rift can easily be created from lack of understanding of how financial professionals reach their conclusions whether to approve or disapprove certain expenditure.

For simplicity, and ease of appreciation and grasp, this course has been designed on the basis of a business model. It is assumed that such a model mirrors non-finance functions in non-business situations in any other orgsanisation or non-business model. This is in recognition of the fact that as long as an entity uses resources and has to maximise their output, to meet set objectives, which may be financial, political, social or otherwise, they mirror a business model situation. As such, non-finance professionals from a diverse range of organisations will benefit immensely from this course.

However, as much as the course is intended for non-finance professionals, finance personnel will also find it beneficial in so far as helping them to understand how to deal with their non-financial peers. By understanding the weaknesses and deficiencies of non-finance professionals, finance professionals will be better equipped to constructively and effectively include their non-finance peers in finance related decision making.

Target Audience:

The course is therefore suitable for:

Primarily the **non-finance professionals** in the key functional areas of the business who are involved in key decision processes and have due fiduciary responsibility. These may include, but are not limited to:

Leaders without a finance background who are on the lead and wield a lot of power and usually may have an ultimately final decision. These may include Chief Executive Officers (CEO's), Executive Directors (EDs), Managing Directors (EDs), Political leaders, Religious leaders, or any other heads or leaders of organisations or departments.

Entrepreneurs who own small to micro and medium sized enterprises (SMMEs)

Finance professionals who will need to learn how to communicate and interact better with their non-finance peers.

Non-finance professionals in the various non-finance functionalisms such as human resources, production, marketing, project management, research, product and business development, procurement, an administration.

Economists who may need an understanding of finance aspects to interact with their peers on key business decisions such as long-term planning and development to avoid the common conflicts between the disciplines of economics and/or finance and accounting.

Accountants/auditors who may not be directly involved in financial aspects may find this course invaluable in their profession to interact with those who may be directly involved in financial planning, control and decision making, who may be in management accounting roles that may conflict with audit and accounting functions.

Finance career aspirants who may be eying a finance, accounting or related course and need a chance to delve into the realm of finance and better appreciate what it really entails.

Learning Outcomes:

By the end of the course, participants should be able to:

- Fully explain the concept of ‘finance’
- Fully explain the interrelationships between the five building blocks that constitute the elements of finance
- Demonstrate the purpose and function of the four main financial statements for external reporting

- Distinguish between the accrual basis of accounting and the cash basis of accounting
- Prepare the four main financial statements for external reporting
- Conduct both an absolute and a relative financial analysis of reported financial information
- Demonstrate the importance of advanced financial analysis using the DuPont model as an example
- Distinguish between Management Accounting and Financial Accounting
- Demonstrate how management accounting is used in the areas of planning, control and decision making
- Demonstrate the usefulness of financial modeling in the areas of external financial reporting and management accounting

Content Covered:

The following content will be covered in the course:

1.0 Introduction to Finance

1.1 What is finance?

1.2 Financial records

1.3 Who are non-finance managers

1.4 Financial reporting

1.5 Financial transactions

2 Elements of Finance

2.1 What are the elements of finance?

2.2 Assets

2.3 Liabilities

2.4 Equity

2.5 Financial position

2.6 Incomes

2.7 Expenses

2.8 Profit and loss

2.9 Financial performance

3 Financial Statements

3.1 What are financial statements?

3.2 What is the purpose of financial statements?

3.3 <u>Types of financial statements</u>

3.3.1 External financial statements

3.3.2 Internal financial statements

3.4 <u>Statement of financial position</u>

3.4.1 Vertical presentation of the statement of financial position

3.4.2 Interpretation of the statement of financial position

3.5 <u>Statement of financial performance</u>

3.5.1 Statement of profit or loss/Income Statement/Statement of Other Comprehensive Income layout

3.5.2 Financial performance during a period

3.6 Statement of changes in equity

3.7 Statement of cash flows

4 Accrual Basis of Accounting

4.1 The accruals concept

4.2 The cash basis of accounting

4.3 A more detailed example – a distinction between cash and credit basis of accounting.

4.4 Liquidity

4.5 Profitability

5 Financial Analysis

5.1 Introduction to financial analysis

5.2 Critical Success Factors (CSFs)

5.3 Absolute financial analysis

5.4 Relative financial analysis

5.5 Financial ratios

5.5.1 Profitability ratios

5.5.1.1 Gross profit margin (GPM)

5.5.1.2 Operating profit margin (OPM)

5.5.1.3 Net profit margin (NPM)

5.5.1.4 Return on assets (ROA)

5.5.1.5 Return on capital employed (RCE)

5.5.1.6 Return on equity (ROE)

5.5.2 Liquidity/short-term solvency ratios

5.5.2.1 Current ratio

5.5.2.2 Inventory days

5.5.2.3 Receivables days

5.5.2.4 Payables days

5.5.2.5 Cash operating cycle

5.5.3 Gearing/financial leverage/long-term solvency ratios

5.5.3.1 Gearing ratio

5.5.3.2 Debt ratio (DTR)

5.5.3.3 Equity ratio (EQR)

5.5.3.4 Interest cover ratio

5.5.3.5 Equity multiplier/Financial leverage (EQM)

5.5.3.6 Operating leverage

5.5.4 Asset efficiency/productivity

5.5.4.1 Total asset turnover (TAT)

5.6 Advanced financial analysis

5.6.1 DuPont analysis – Breakdown of Return on Equity (ROE)

5.6.2 Further DuPont analysis – Breakdown of Net Profit Margin (NPM)

5.6.3 Further DuPont analysis – Breakdown of Total Assets Turnover (TAT)

6 Management Accounting

6.1 Introduction to management accounting

6.2 Planning

6.2.1.1 Budgeting

6.2.1.2 Standards setting

6.3 Control

6.3.1.1 Budgetary control

6.3.1.2 Variance analysis

6.4 Decision making

6.4.1.1 Advanced variance analysis

6.4.1.2 Capital investment appraisal

7 Financial Modeling

7.1 Introduction to financial modeling

7.2 Use of excel in financial modeling

7.3 Financial modeling for financial accounting

7.4 Financial modeling for management accounting

Assessment

A variety of assessment tools will be used throughout the course to gauge the level of understanding of the participants.

Formative assessment will form part of the learning process and will be carried out throughout the duration of the course using:

(i). *Random questions*

These will help the facilitator to obtain early feedback on their delivery mode, intensity and speed. This will help them to fine tune this in order to improve where necessary. These may also be in the form of quizzes.

(ii). *Interactive Discussions*

The facilitator will deliberately throw in targeted simulative topics for discussion, debate and interaction. The intention is to make sure that participants have a bone to chew to avoid boredom, improve their concentration and lean through some familiarity area that exemplify the content being delivered.

(iii). ***Calculations and written questions***

The facilitator may introduce activity tasks that test the skill of preparing financial statements, performing the necessary calculations and explaining key concepts.

(iv). *Final assessment*

Participants will be subjected to a final assessment to test their competence in applying the skills acquired throughout the two days. It is this final assessment that needs to be passed by the participant to obtain certification.