

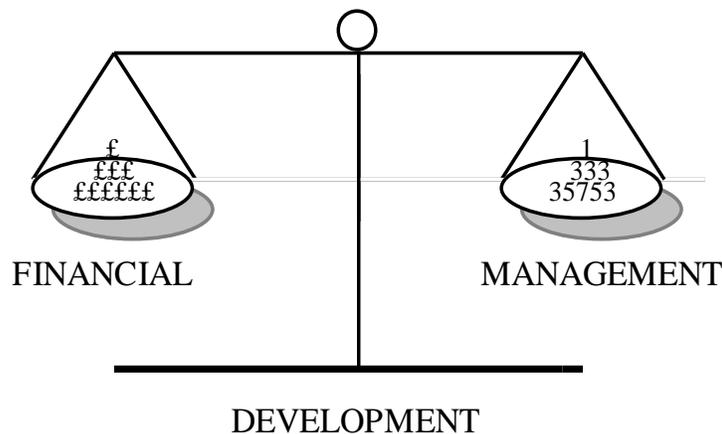
FINANCIAL MANAGEMENT DEVELOPMENT

Decision Making

Capital Expenditure

NO 333

CONTENTS OF A BUSINESS CASE



ONE OF A SERIES OF GUIDES FOR
FINANCIAL MANAGEMENT DEVELOPMENT

FROM

www.FinancialManagementDevelopment.com

This is one of a series of documents produced by David A Palmer as a guide for managers on specific financial topics to assist informed discussion. Readers should take appropriate advice before acting upon any of the issues raised.

CONTENTS OF A BUSINESS CASE

Different organisations have different approaches to major investment proposals. These will normally be tailored to the unique circumstances of the organisation with a view to helping the reviewer make comparisons. Standardisation is therefore important. The following is a guide to best practice not a checklist. Each individual project will have its own unique character and may therefore require amendments to the Standard approach.

Background

Short Executive Summary - key points and issues

Proposal

How much and what for

- Capital
- Revenue
- Working Capital
- Re-use of assets/Dismantling/Trade in
- Grants?

Planned
Benefits or Non-Remunerative

Market

Environment (cycle)
Likely Demand, Channels, Principal Customers
Unusual Terms
Competing Products and Organisations (including imports and substitutes)

Technical

Supply Considerations
Effect on Scheduling
Type of Plant
Yields
Processes
Quality Implications

Manning

Personnel Implications
Scheduling
Dependencies
Utilisation of plant

Financial

Discounted Payback, NPV, IRR, ROCE, Cost Per Unit
Tax
Depreciation (Timing And Amount)
Lease Options
Marginal or full cost
Contingencies

Sensitivity

Base Case
Sales Prices/Volumes
Timescale
Key Factors and Assumptions

Risk

Political, Legal, Environmental
End Use Market/Demand Profile
Mitigation of Risk by Alliances, Joint Ventures, etc.
Competition - Strengths and Weaknesses

Strategic Importance

Importance to Business Unit/Organisation/Group
Links to Other Products/Markets
Links to other processes

Safety, Health and Environment

Key issues
Approvals
Effluents/Emissions/Waste

Milestones

Approval as start date
Commencement of Investment
Production and Delivery
End date or Terminal Value

Alternatives

Key possibilities including doing nothing

Appendices are vital to avoid the summary being cluttered with detail.

Rev. DAVID A. PALMER BA (Financial Control) FCA CTA MCIPD

David is an experienced financial professional who has devoted his skills to management training in practical understanding and utilisation of financial information. A Graduate, Chartered Accountant, and Associate of the Institute of Taxation, he is also a Member of the Chartered Institute of Personnel and Development and has been an Ordained as a Deacon in the Catholic Church.

He has worked as a Financial Controller and Company Secretary in the Finance industry and as a Director of Finance and Administration in the Computer Services industry. Since 1990 he has conducted management development programmes for over forty major organisations including Arla Foods, Blue Circle, BP, CSC Computer Sciences, Conoco, Ernst & Young, Lloyds Bowmaker, Royal Mail, Unilever and Zeneca. He also runs programmes for the Leadership Foundation and the management teams at a number of Universities. International training experience includes work in Belgium and Holland for CSC, in Denmark, Kenya and the Czech Republic for Unilever, in Holland and the US for Zeneca, in Dubai for Al Atheer, in Bahrain and Saudi Arabia for Cable & Wireless.

He specialises in programmes in financial management for both tactical and strategic decision making. In addition he has run courses in acquisition evaluation (The Economist, Eversheds, Blue Circle and Hays Chemicals) and in post-acquisition management (Unilever). All training is specifically tailored to the needs of the organisation with the emphasis on practical applications to enhance profitability and cashflow. He has developed material for delivery by in-house personnel (Royal Mail, Lloyds Bowmaker and Conoco), computer based training packages (The Post Office, Unilever and BP), and post course reinforcement self-study workbooks (CSC and Zeneca). He has also produced a training video on Cashflow Management.

He is a prolific writer of case studies, role plays and course material. He has also published articles on the financial justification of training, financial evaluation of IT investment proposals, the use of Activity Based Costing and Customer Profitability statements, commercial considerations for consultants, the need for taxation awareness training for general managers, evangelisation and Christian business ethics.

Many of his generic documents are freely available on his website:

FinancialManagementDevelopment.com including papers on Charity Management.

In addition to his Diaconal work in the Church, he has held a number of voluntary positions including University, College and School Governor, Hospice Treasurer and Trustee of various charitable institutions. He continues to provide ad hoc commercial advice to several other charitable organisations. He has been married for over 35 years and has one daughter and three granddaughters.

This series of papers is designed to help managers by providing a basic understanding of key financial concepts to assist them in their work. It is provided at no cost since this knowledge is a Gift from God and thus to be shared (Matthew 10:8).