

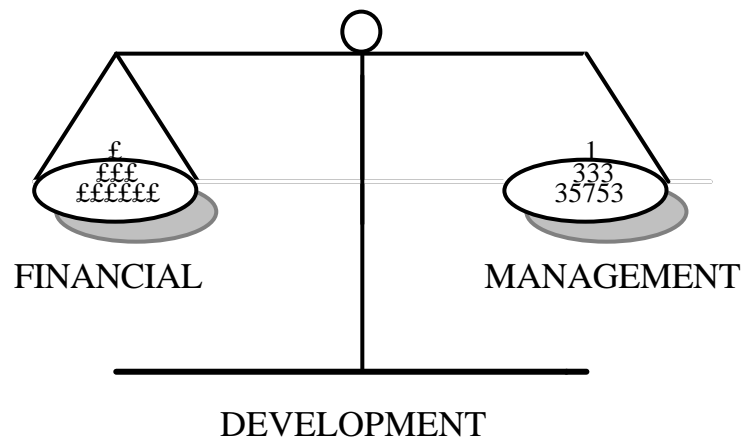
# FINANCIAL MANAGEMENT DEVELOPMENT

## 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](http://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.**

**DAVID A. PALMER BA (Financial Control) FCA ATII 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.

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 thirty major organisations including Blue Circle, BP, CSC Computer Sciences, Conoco, Ernst & Young, Lloyds Bowmaker, The Post Office, Rothmans and Zeneca. International training experience includes work in Denmark, Kenya and the Czech Republic for Unilever, in Dubai for Al Atheer, in Holland and the U.S. for Avecia and Zeneca and in Bahrain and Saudi Arabia for Cable & Wireless.

He specialises in programmes in financial management for both tactical and strategic decision making. A key output from the training is demonstrable use of the knowledge and skills acquired to enhance corporate profitability. In addition he has run courses in acquisition evaluation (The Economist, Blue Circle and Hays Chemicals) and in post-acquisition management (Unilever). He has also developed material for delivery by in house personnel (Royal Mail, Lloyds Bowmaker and Conoco) and computer based training packages (The Post Office, Unilever and BP).

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 and the need for taxation awareness training for general managers.

He is married with one grown up daughter and his outside interests include being The Treasurer of the Hospice of St. Francis (Berkhamsted), and a member of the Catholic Alpha Training Team (Promoting the Alpha course on Basic Christianity). He was a Governor of Luton University for nine years and a school Governor for four years.

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).