

ICAG BUSINESS LESSONS (WEEK 34)

Good morning

This is week 34 of the year 2022 in the Gregorian calendar. 18 weeks remain until the end of the year.

MONDAY MOTIVATION

One day you will wake up and there won't be any more time to do the things you've wanted to do. Do it now!

- Paulo Coelho

MANAGEMENT QUOTE OF THE WEEK:

No business in the world has ever made more money with poorer management.

- Bill Terry

MANAGEMENT CONCEPT OF THE WEEK: *DECISION MAKING TECHNIQUES*

MAKE OR BUY DECISIONS:

Relevant costs can be applied to both short-term and long-term decisions.

- Short-term decisions are decisions where the financial consequences occur soon after the decision is taken.
- Long-term decision is one where a capital investment may be required and the benefits of the investment will be obtained over a period of several years.
An example of management decisions where relevant costing is used include **Make-or-buy decisions**.

Make-or-buy (Outsource) decisions.

A make-or-buy decision is a decision about:

- whether to make an item internally or to buy it from an external supplier, or
- whether to do some work with internal resources, or to contract it out to another organization such as a sub-contractor or an outsourcing organization

The economic basis for the decision whether to make internally or whether to buy externally (outsource production) should be based on relevant costs. The preferred option from a financial viewpoint should be the one that has the lower relevant costs.

A financial assessment of a make-or-buy decision typically involves a comparison of:

- The costs that would be saved if the work is outsourced or sub-contracted, and
- The incremental costs that would be incurred by carrying out the work internally.

A different situation arises when an entity is operating at full capacity, and has the opportunity to outsource some production in order to overcome the restrictions on its output and sales.

In such a situation, relevant costing approach is to assume that the entity will:

- Seek to maximize its profit, and therefore
- Outsource some of the work, provided that profits will be increased as a consequence.

The decision is about which items to outsource, and which to retain in-house. The profit-maximizing decision is to outsource those items where the costs of outsourcing will be the least.

THIS WEEK IN HISTORY. TOP 10 EVENTS

22/08/2018 - Longest ever bull market for Standard & Poor's 500-stock index at 3,453 days (using 19.9 percent decline in 1990 as the start, usually 20%)

22/08/1964 - Guinee, Liberia & Ivory Coast form joint market

23/08/2007 - Hashtag invented and first used in a tweet by US product designer Chris Messina

23/08/1991 – The World Wide Web is opened to the public.

23/08/1990 - East & West Germany announced that they would unite on Oct 3

24/08/2015 - China stock market's "Black Monday", Shanghai Composite loses 8.5%, sending other international markets lower

24/08/2009 - Thailand's GDP grew 2.3% in 2009's second quarter, technically leaving the recession.

24/08/1995 - Microsoft debuts Windows 95

25/08/1991 – Linus Torvalds announces the first version of what will become Linux.

26/08/2013 - All 25,000 applicants to the University of Liberia fail their university entrance examination.

DID YOU KNOW?

Registration for ICAG's **Post-Chartered Diploma Programmes** is in session and ends **Friday 26th August, 2022.**

The programme comes off this September through to November in **Accra, Kumasi, Cape Coast and Tamale.**

Have a fruitful week!

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Please send all comments and suggestions to **Alhassan Trawule** on **0242 732976.**

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