

ICAG BUSINESS LESSONS (WEEK 25)

Good morning

This is week 25 of the year 2022 in the Gregorian calendar. 27 weeks remain until the end of the year.

MONDAY MOTIVATION

Your Monday morning thoughts set the tone for your whole week. See yourself getting stronger, and living a fulfilling, happier and healthier life.

- *Germany Kent*

FINANCE AND INVESTMENT QUOTE OF THE WEEK:

It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong.

— *George Soros*

FINANCE AND INVESTMENT CONCEPT OF THE WEEK:

INVESTMENT APPRAISAL - PART II

Investment Appraisal and Capital Budgets

Investment appraisal therefore takes place within the framework of a capital budget and strategic planning. It involves:

- Generating capital investment proposals in line with the company's strategic objectives
- Forecasting relevant cash flows relating to the project
- Evaluating the projects
- Implementing projects which satisfy the company's criteria for deciding whether the project will earn a satisfactory return on investment
- Monitoring the performance of investment projects to ensure that they perform in line with expectations.

Features of Investment Projects

Many investment projects have the following characteristics:

- The project involves the purchase of an asset with an expected life of several years, and involves the payment of a large sum of money at the beginning of the project. Returns on the investment consist largely of net income from additional profits over the course of the project's life.
- The asset might also have a disposal value (residual value) at the end of its useful life.
- A capital might also need an investment in working capital. Working capital also involves an investment of cash.

Alternatively, a capital investment project might involve the purchase of another business, or setting up a new business venture. These projects involve an initial capital outlay, and possibly some working capital investment. Financial returns from the investment might be expected over a long period of time, perhaps indefinitely.

Methods of Investment Appraisal

Investment appraisal can be evaluated by the following methods:

- a. Accounting Rate of Return (ARR) method
- b. Payback method
- c. Discounted Cash Flow (DCF) methods, which include;
 - Net Present Value (NPV) method
 - Internal Rate of Return (IRR) method
 - Discounted payback method

THIS WEEK IN HISTORY – TOP 15 EVENTS

20/06/2020 - Highest-ever temperature recorded in the Arctic circle, 38C (100F) in Verkhoyansk, Siberia

20/06/2019 - Shares for messaging site Slack start trading on the New York Stock Exchange to give it a valuation of \$19.5 billion

20/06/2018 - Algeria turns off its internet to stop students cheating during exams

20/06/1960 – The Mali Federation gains independence from France (it later splits into Mali and Senegal).

21/06/2018 - EU imposes tariffs on US goods worth \$3.2 billion in response to US tariffs

21/06/1993 - English mathematician Andrew Wiles proves last theorem of Fermat

21/06/1948 - 1st stored computer program runs on Manchester Mark I at a laboratory in Manchester University, England

22/06/2020 - Japanese supercomputer Fugaku in Kobe by Riken institute wins world contest to be the fastest

23/06/2016 – The United Kingdom votes in a referendum to leave the European Union, by 52% to 48%.

23/06/1994 - South Africa reclaims its seat in United Nation

23/06/1969 – IBM announces that effective January 1970 it will price its software and services separately from hardware thus creating the modern software industry.

23/06/1949 - First twelve women graduate from Harvard Medical School

24/06/2020 - World Monetary fund predicts a deeper global recession with contraction of 4.9% (down from 3%), noting 2/3 of all countries used 11 trillion to support their economies

24/06/2011 - Italian economist Mario Draghi is confirmed as new President of the European Central Bank

24/06/1950 – Apartheid: In South Africa, the Group Areas Act is passed, formally segregating races.

DID YOU KNOW?

Registration for the CA professional exams in August 2022 is opened. The registration ends 15th July, 2022. Prospective candidates are urged to visit their student's portals and register accordingly.

Have a blessed week!

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

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