

ICAG BUSINESS LESSONS (WEEK 21)

Good morning

This is week 21 of the year 2022 in the Gregorian calendar. 31 weeks remain until the end of the year.

MONDAY MOTIVATION

We are what we repeatedly do. Excellence, then, is not an act but a habit.

— *Aristotle*

FINANCE AND INVESTMENT QUOTE OF THE WEEK

It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.

— *Robert Kiyosaki*

INVESTMENT CONCEPT OF THE WEEK: INVESTMENT APPRAISAL – PART I

CAPITALEXPENDITURE, INVSTMENT APPRASAL AND CAPITAL BUDGETING

Capital Expenditure:

Capital expenditure s spending on non-current assets, such as buildings and equipment, or investing in a new business. As a result of capital expenditure, a new non-current asset appears on the statement of financial position possibly as ‘investment in subsidiary’.

In contrast, **revenue expenditure** refers to expenditure that does not create long-term assets, but is either written off as an expense in the income statement in the period that it is incurred, or that creates a short-term asset.

Capital expenditure initiatives are often referred to as investment projects or ‘capital projects’

Investment Appraisal

Before capital expenditure projects are undertaken, they should be assessed and evaluated. As a general rule, projects should not be undertaken unless:

- They are expected to provide a suitable financial return, and
- The investment risk is acceptable.

Investment appraisal is the evaluation of proposed investment projects involving capital expenditure. The purpose of investment appraisal is to make a decision about whether the capital expenditure is worthwhile and whether the investment project should be undertaken.

Capital Budgeting

Capital expenditure by a company should be provide a long-term financial return, and spending should therefore be consistent with the company's long-term corporate and financial objectives.

Capital expenditure should therefore be made with the intention of implementing chosen business strategies that have been agreed by the board of directors.

Within the long term capital budget, there should be more detailed spending plans for the next year or two.

- Individual capital budget projects that are formally approved should be included within the capital budget.
- New ideas for capital projects, if they satisfy the investment appraisal criteria and are expected to provide a suitable financial return, might be approved provided that they are consistent with the capital budget and overall spending limits.

THIS WEEK IN HISTORY: TOP 15 EVENTS

23/05/2019 - Brazilian cosmetics group Natura buys UK's Avon for \$2 billion, creating the world's fourth-largest cosmetics company

23/05/2003 - The Euro exceeds its initial trading value as it hits \$1.18 for the first time since its introduction in 1999

23/05/1995 – The first version of the Java programming language is released

23/05/1977 - Benin adopts its constitution

24/05/2018 - US President Donald Trump signs into law the Economic Growth, Regulatory Relief and Consumer Protection Act easing financial regulations and reducing oversight for banks

24/05/1954 - IBM announces vacuum tube "electronic" brain that could perform 10 million operations an hour.

25/05/2009 - Thailand's economy shrank more than expected in the first quarter of 2009, contracting the most in a decade and plunging the nation into recession

25/05/1969 - Sudanese government is overthrown in a military coup

25/05/1963 – Organization of African Unity formed in Addis Ababa, Ethiopia

26/05/2021 - A super "blood" moon, the first total lunar eclipse for two years, visible across the Pacific

26/05/2014 - World Health Organization confirms that Ebola has reached Sierra Leone

27/05/2013 - The largest flag ever made at 5 tons with 44 miles of thread is unveiled in Romania

27/05/2009 - South Africa enters the global recession; the first recession for South Africa in 17 years

27/05/ - 1997 Major league revenue sharing begins, NY Yanks pay out most \$28M

27/05/ - 1985 Britain agrees to return Hong Kong to China in 1997

Have a fruitful week!

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

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