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| --- | --- |
| **Course:** | BF10: Principles of Business and Finance |
| **Objective:** | NC CTE 6.02: Acquire a foundational knowledge of finance to understand its nature and scope. (FI:354, FI LAP 7) |

**Key Terms**

|  |  |
| --- | --- |
| **Key Term** | **Definition** |
| **Accounting** | The process of keeping and interpreting financial records. (Career Opps in Finance, FI LAP 5, FI LAP 7, PD LAP 15, SM LAP 1) |
| **Finance** | The process of obtaining funds and using them to achieve the goals of the business (PD LAP 15, SM LAP 1) |
| **Capital Investment Decisions** | Decisions that determine which projects a business will invest in, how the investment(s) will be financed, and whether or not to pay dividends to shareholders. (FI LAP 7) |
| **Working Capital Management** | Management of a firm’s current balance of assets and liabilities; involves accounts payable and receivable, inventory and cash. (FI LAP 7) |
| **Cash Conversion Cycle of Working Capital Management** | Ratio that refers to the number of days between a company’s paying for raw materials and receiving cash from selling the products made from those raw materials. (FI LAP 7) |
| **Return on Capital** | A measure of how well a business generates cash flow in relation to the capital it has already invested in itself. (FI LAP 7) |

**Resources**

|  |
| --- |
| **Explain the role of finance in business (FI:354, FI LAP 7) (CS)** |
|  | **Online/Software:** | *Aims and functions of finance* (n.d.). Retrieved June 5, 2012, from <http://www.newagepublishers.com/samplechapter/001541.pdf>Harrin, E. (2010, April 29). *The changing role of finance: Business partnering.* Retrieved June 5, 2012, from <http://www.theglasshammer.com/news/2010/04/29/the-changing-role-of-finance-business-partnering/>Kuczmarski, J. (2009). *Using the cash conversion cycle.* Retrieved June 11, 2012, from <http://www.investopedia.com/articles/fundamental/092402.asp>*Lecture 1: What is finance?* (n.d.). Retrieved June 11, 2012, from [http://www.economistaeneltejado.com/web/webadm/Archivos/Ficheros/Lecture%201(complete).ppt](http://www.economistaeneltejado.com/web/webadm/Archivos/Ficheros/Lecture%201%28complete%29.ppt)Madison, N. (2012). *What is working capital?* Retrieved June 11, 2012, from <http://www.wisegeek.com/what-is-working-capital.htm> MagicDiligence.com (2009, April 14). *The importance of return on capital.* Retrieved April 23, 2012, from <http://www.magicdiligence.com/articles/the-importantance-of-return-on-capital>Maneval, E. (n.d.). *Working capital management.* Retrieved April 23, 2012, from <http://www.studyfinance.com/lessons/workcap/index.mv>MBA Research and Curriculum Center. (2008). *Money matters (Nature of finance)* [LAP: FI-007: Presentation Software]. Columbus, OH: Author.McClure, B. (2010). *Working capital works.* Retrieved June 11, 2012, from <http://www.investopedia.com/articles/fundamental/03/061803.asp> |

**6.02 – Financial Activities in Careers**

Careers come in different forms, shapes and sizes. In addition to job skills, financial skills and literacy are vital in mostly all career choices. Use Career Planner.com Job Description Search to help you to gain understanding of careers and what duties/tasks, activities, skills, abilities, knowledge and experiences are involved with that profession. .

**Directions:** Use Career Planner.com List of 12, 000 Careers (<http://www.careerplanner.com/ListOfCareers.cfm> ) to complete the information below.

Once you choose a career, identify the career and the basic job description.

Click on Part 1-Duties/Tasks for a list of duties and tasks. On your chart record one duty under the appropriate primary financial activity column.

For Parts 2 – 5, review the information provided within each link about your chosen career and select and categorize important financial elements. See example.

|  |  |
| --- | --- |
| Career Name: |  |
| Basic Job Description: |  |
|  | **Planning** | **Analyzing** | **Forecasting** | **Budgeting** |
| Part 1 Job Duties and Tasks |  |  |  |  |
| Part 2 Activities |  |  |  |  |
| Part 3Skills |  |  |  |  |
| Part 4 Abilities |  |  |  |  |
| Part 5 Knowledge |  |  |  |  |

**See example below:**

|  |  |
| --- | --- |
| Career Name: | Civil Engineer |
| Basic Job Description: | **Perform engineering duties in planning, designing, and overseeing construction and maintenance of building structures, and facilities, such as roads, railroads, airports, bridges, harbors, channels, dams, irrigation projects, pipelines, power plants, water and sewage systems, and waste disposal units. Includes architectural, structural, traffic, ocean, and geo-technical engineers.** |
|  | **Planning** | **Analyzing** | **Forecasting** | **Budgeting** |
| Part 1 Job Duties and Tasks | **Plan and design transportation or hydraulic systems** | **Survey reports, maps drawings, blueprints and geographical data****Inspect project sites** | Estimate quantities and cost of materials, equipment, or labor to determine project feasibility |  |
| Part 2 Activities |  Establishing long-range objectives and specifying the strategies and actions to achieve them | Analyzing information and evaluating results to choose the best solution and solve problems. | Estimating sizes, distances, and quantities; or determining time, costs, resources, or materials needed to perform a work activity. | Monitoring and controlling resources and overseeing the spending of money. |
| Part 3Skills |  |  |  |  |
| Part 4 Abilities |  |  |  |  |
| Part 5 Knowledge |  |  |  |  |

**6.02 – Understanding Cash Conversion Cycle Activity**

**Directions:** Read the article *Understanding the Cash Conversion Cycle* (<http://www.investopedia.com/articles/06/cashconversioncycle.asp>) and complete the following:

Create a SmartArt Graphic Organizer using the basic cycle layout. There are three components of this basic cycle.

What is the Cash Conversion Cycle (CCC)?

What activities are short-term assets?

What activity is a liability?

What financial statement are these activities found on?

What boundaries can slow down the CCC and how can it affect managerial decisions?

List the items needed to calculate CCC.

What is the formula for calculating CCC?

Define Days Inventory Outstanding (DIO).

Define Days Sales Outstanding (DSO).

Define Days Payable Outstanding (DPO).

Use the following information to calculate the CCC.

|  |  |  |
| --- | --- | --- |
| Item | Fiscal Year 2014 | Fiscal Year 2013 |
| Revenue | 6,000 | Not needed |
| COGS | 2,500 | Not needed |
| Inventory | 1,000 | 3,000 |
| A/R | 200 | 150 |
| A/P | 1,000 | 1,100 |
| Average Inventory |  |
| Average AR |  |
| Average AP |  |

Which form of a business benefits the most from the CCC?

**6.02 – Determining Working Capital**

Use the following link to define working capital. Take notes on the video available on the website concerning working capital.

<http://www.investopedia.com/terms/w/workingcapitalmanagement.asp>

Use this link to define return of capital and provide a brief description/illustration of what this looks like in a business.

<http://www.investopedia.com/terms/r/returnofcapital.asp>

Complete the **Income Statement** and **Balance Sheet** for the Sole Source Company. The financial information is located in the 6.02 – Sole Source Financial Statements file. Once both statements have been completed, fill in the blanks below.

What is the Gross Profit on Sales?

What is the Net Income?

Is the Net Income a Profit or Loss?

What is the Total Assets for Sole Source?

What is the Total Liabilities and Net Worth?

Write the formula for calculating working capital?

Determine the working capital for Sole Source.