



THE OPEN UNIVERSITY OF KENYA

Programme title	Postgraduate Diploma in Leadership and Accountability
Course title	PLA 725: Financial Management for Leaders
Learning Module number	2 of 10
Learning module title	Financial Planning
Module Developer	Dr Jane Chepngeno Sang
Module duration in hours	8 hours
Instructional Hour Equivalent (Divide duration by 2)	4 hours
Reviewed by	
Vision	The innovative university for inclusive prosperity
Audience description	<p>Minimum university entrance for this course is learners possessing a bachelor's degree from an institution recognized by Senate or any other qualifications that may be determined by senate recognizing prior learning leading to equivalents of the identified criteria, experience and skills of learners.</p> <p>Applicants are expected to attach relevant documents as proof of their eligibility.</p>
Instructions to learners 	<p>Welcome to Financial planning!</p> <p>The given instructions during your learning journey, if followed, successful progress will be realized in module comprehension.</p> <p>Make an effort to fully engage with the course material, whether that means taking detailed notes, participating in online discussions, or seeking out additional resources to supplement your learning. Each assignment and quiz is an opportunity for you to demonstrate your understanding of the course material. Take the time to complete each one thoroughly and make sure you have answered all questions to the best of your ability.</p> <p>Seek help when needed. This may include reaching out to your facilitator, participating in online forums, or working with a tutor.</p> <p>Review and reflect after completing each assignment or quiz. This will help you to identify areas where you may need to focus more attention in future assignments.</p> <p>Remember, mastering financial planning is the beginning of successful leadership journey</p> <p>You are encouraged to stay up-to-date with the latest research and developments in financial planning.</p> <p>Bravo!</p>
Learning module description	Financial planning and analysis (FP&A) is a critical function within an organization that involves developing and

	<p>implementing financial plans and strategies to achieve financial objectives.</p> <p>FP&A plays a key role in supporting decision-making, driving financial performance, and ensuring the organization's financial success.</p> <p>This presentation will provide an overview of FP&A, its key components, and best practices for effective financial planning and analysis.</p>
Module objectives:	<p>This module enables learning about;</p> <ol style="list-style-type: none"> 1. Definition of Financial planning 2. Explanation of Financial Information. 3. Development of a financial Plan 4. Implementation of Financial Plan
Module learning outcomes:	<p>By the end of the module you should be able to;</p> <ol style="list-style-type: none"> 1. Define Financial Planning. 2. Explain Financial Information 3. Develop Financial Plan 4. Implement Financial Plan
Planned Learning Resources	<p>Video lectures, online textbooks, interactive simulations, online discussion forums, practice questions, quizzes and tests, wikis, webinars, YouTube videos</p>
<p>ACTIVITY 1: INTRODUCTION</p> <p>VIDEO 1: Pre-recorded lecture on topic emphasizing LEARNING OUTCOME 1: Factual knowledge.</p> 	<p>Definition of Financial Planning</p> <p>Financial Planning is the process of estimating the capital required and determining it's competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.</p> <p>Objectives of Financial Planning</p> <p>Financial Planning has got many objectives to look forward to:</p> <ol style="list-style-type: none"> a. Determining capital requirements- This will depend upon factors like cost of current and fixed assets, promotional expenses and long- range planning. Capital requirements have to be looked with both aspects: short- term and long-term requirements. b. Determining capital structure- The capital structure is the composition of capital, i.e., the relative kind and proportion of capital required in the business. This includes decisions of debt- equity ratio- both short-term and long- term. c. Framing financial policies with regards to cash control, lending, borrowings, etc. d. A finance manager ensures that the scarce financial resources are maximally utilized in the best possible manner at least cost in order to get maximum returns on investment. <p>Importance of Financial Planning</p> <p>Financial Planning is process of framing objectives, policies, procedures, programmes and budgets regarding the financial</p>

activities of a concern. This ensures effective and adequate financial and investment policies. The importance can be outlined as-

1. Adequate funds have to be ensured.
2. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. Financial Planning helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.
6. Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in concern.

Theory of Financial Planning

Currently, no theory of financial planning exists, despite calls for it in the literature (Warschauer, 2002; Buie & Yeske, 2011). However, the process of financial planning is generally agreed upon and includes six-steps: (a) establish the relationship, (b) gather data and discuss goals, (c) analyze and evaluate current financial situation, (d) review recommendations, (e) implement financial plan, (f) benchmark and review outcomes (Certified Financial Planning Board, 2017). While theory and process are related, they serve different purposes (Bacharach, 1989; Sutton & Straw, 1995). Theory is central to the development of a field of study. Typically, theory leads to research, research informs practice, and practice ultimately re-informs theory (Klontz, Britt, & Archuleta, 2015). Whereas, processes describe a set of actions or procedures

STEPS OF FINANCIAL PLANNING

1. Define a strategy and then translate it into action plans for execution.

Companies focus on tactics even without first establishing themselves as a strategy. This can lead to a great deal of wasted time, including effort and, of course, frustration. A better approach to this is to set it out as a strategy and then translate it into action plans. The initial step is to identify your goals and objectives in your own way. What do you want to achieve? Once you have a clear picture of your goals, you can develop strategies to reach and achieve them.

Next, it's important to write and create action plans to help you implement them. The last step is then to put these plans into action and follow through on the formulated results.

"The objectives make the strategy; the strategy makes the action plan"

2. Identify the resources needed to complete projects, then achieve plan results, and then budget for those resources.

In order for your project to be a success, it is equally important to identify the necessary resources and then make sure they are included in your budget. Next, start identifying the specific resources you need. Make a realistic estimate of each of these resources that you will need and their cost.

3: Get a deep understanding of how business and operating plans produce financial results and monitor the progress of those plans.

To ensure that your company's financial results are in line with your operating plans, you now need to understand how these plans influence your financial results. Then you need to regularly monitor the progress of those plans and actions to make sure they stay on track. If not, you may need to make changes to your policies and ensure your business fully achieves its goals.

4: Follow the development of plans based on projects and tangible information, how they will affect your bottom line, plus performance-based variance analysis and the ability to get the story behind those numbers and this financial data.

5: Practice agility. Take action when you fall behind on your financial or operational goals.

Agility is the key to success in any field. When you fall behind on your financial or operational goals, take quick and decisive action to get back on track. By implementing these agile strategies, you can stay ahead of the competition and achieve your goals better and more efficiently. Only by being proactive and reacting to change can you overcome any obstacle in your way.

6: Critical to build a foundation for accountability and do a better job of cascading in both financial and operational goals.

This means that everyone in the company has a viable understanding of what is expected from them and what the company's objectives are. Additionally, cascading of goals enables employees to contribute their own ideas and suggestions on how to improve the company's performance in the longer run.

7: Hold people accountable for delivering financial results and productivity to achieve group and personal goals.

This means that they must ensure that they achieve specific goals and objectives that are right for them. At that time, business leaders need to manage their workforce well and accordingly equip them with the necessary resources so that they can be successful in every way.

8: Hold people accountable for delivering business results.

Holding people accountable for their actions helps create a culture of responsibility and accountability within the organization, which can lead to better performance with better results as a bonus compared to people in many business areas.

9: Not only to identify what drives success in the business, but also to focus on development metrics and tips for those drivers.

For a business to be successful, it becomes extremely important to identify and understand what drives success. While many factors contribute to success, some of the most common are organizational culture, employee engagement, and customer satisfaction. Once these drivers have been identified, it is important to develop metrics for them so that progress can be tracked and improvements made to create valuable impact on work culture.

10: Set short-term and long-term goals for the drivers of business success.

Long-term goals are often broader in scope and may include developing a new product or expanding into new markets. Short-term goals are more specific and generally relate to achieving sales or profit targets.

11: Develop initiatives and projects to achieve goals.

This means that an action plan is drawn up and the necessary resources are allocated to carry it out. It is also important to have regular evaluations and reviews to ensure that the goal is still attainable and that the resources allocated are effective.

12: Better monitor results and link them to incentives.

Incentives are a powerful tool for motivating employees, but they only work if employees can see how their efforts are impacting the bottom line. Too often, companies fail to monitor results and link them to incentives. As a result, employees lose motivation and the company misses opportunities to improve its performance.

Importance of Financial Planning and Analysis

FP&A is essential for strategic decision-making, as it provides insights into the organization's financial performance, risks, and opportunities.

It enables organizations to plan and allocate financial resources effectively, aligning financial goals with overall business objectives.

FP&A facilitates forecasting and budgeting, enabling organizations to make informed decisions, monitor progress, and take corrective actions as needed.

It also helps in managing risks and uncertainties, optimizing working capital, and improving profitability and cash flow.

Key Components of Financial Planning and Analysis

Financial Planning: Involves setting financial goals and objectives, developing financial strategies, and creating detailed financial plans for the short, medium, and long term.


Financial Forecasting: Involves estimating future financial performance based on historical data, industry trends, and other relevant factors.





Budgeting: Involves developing a comprehensive budget that outlines planned revenues, expenses, and investments for a specific period, and monitoring actual performance against the budget.



Financial Analysis: Involves analyzing financial data, financial statements, and key performance indicators (KPIs) to assess financial health, identify trends, and make informed decisions.

Scenario Analysis: Involves evaluating the potential impact of different scenarios, risks, and opportunities on the organization's financial performance and developing contingency plans.

Best Practices for Effective Financial Planning and Analysis

	<p>Align financial goals with overall business objectives: Ensure that financial plans and strategies are in line with the organization's overall strategic goals and objectives.</p> <p>Use accurate and reliable data: Rely on accurate and reliable data to ensure the integrity of financial forecasts, budgets, and analyses.</p> <p>Involve cross-functional collaboration: Collaborate with various departments and stakeholders to gather inputs, insights, and feedback for financial planning and analysis.</p> <p>Apply forecasting and budgeting techniques: Utilize appropriate forecasting and budgeting techniques, such as historical analysis, trend analysis, and driver-based planning, to develop realistic and achievable financial plans.</p> <p>Monitor and analyze performance: Regularly monitor and analyze actual performance against financial plans and budgets, and take corrective actions as needed to achieve financial objectives.</p> <p>Incorporate scenario analysis: Conduct scenario analysis to assess the potential impact of different scenarios, risks, and opportunities on the organization's financial performance, and develop contingency plans.</p> <p>Leverage technology: Utilize financial planning and analysis tools, software, and technology solutions to streamline processes, improve accuracy, and enhance decision-making.</p> <p>Communicate effectively: Communicate financial plans, forecasts, and analyses effectively to stakeholders, including senior management, board of directors, and other relevant parties.</p> <p>Conclusion</p> <p>Financial Planning and Analysis is a critical function that drives financial success and supports strategic decision-making within organizations.</p> <p>By aligning financial goals with business objectives, utilizing accurate data, applying best practices, and leveraging technology, organizations can achieve effective financial planning and analysis and optimize their financial performance.</p>
<p>ACTIVITY 2: READING READING MATERIAL 1</p>  <p>Learners engage in self-directed learning of an article, a book chapter or whatever other material assigned</p>	<ol style="list-style-type: none"> 1. Lee, J., Chang, J. R., Kao, L. J., & Lee, C. F. (2023). Financial Analysis, Planning, and Forecasting. In <i>Essentials of Excel VBA, Python, and R: Volume II: Financial Derivatives, Risk Management and Machine Learning</i> (pp. 433-455). Cham: Springer International Publishing. 2. Alexander, J. (2018). <i>Financial planning & analysis and performance management</i>. John Wiley & Sons. 2. Richards, D. W., & Safari, M. (2021). Disclosure effectiveness in the financial planning industry. <i>Qualitative Research in Financial Markets</i>, 13(5), 672-691.

	<p>3. Shaharuddin, N. S., Zain, Z. M., & Ahmad, S. F. S. (2021). Financial planning determinants among working adults during Covid 19 pandemic. <i>International Journal of Academic Research in Accounting Finance and Management Sciences</i>, 11(1), 285-304.</p>
	<p>https://youtu.be/nl_tSxbkRww Bay and associates</p>
<p>ACTIVITY 3: Comprehension questions:</p> 	<p>Questions are based on the lecture and reading material.</p> <ol style="list-style-type: none"> 1. Define Financial Planning 2. State importance of Financial Planning 3. Describe theory of Financial Planning
<p>LEARNING OUTCOME 2: Conceptual knowledge</p> <p>ACTIVITY 4: Video to be used.</p>	<p>Learner is required to use factual knowledge acquired to answer question “Why”? The Case Method, (E-Case or written case) role play or any other visual aid to be used. An E-Case of a situation for the learner to solve possible problems using facts acquired. Learners will engage in online discussion either live or on forum to answer ‘Why’ questions</p> <p>Financial Planning seem waste of time. Conceive the thinking.</p>
<p>CASE 1:</p> 	<p>Describe case here.</p> <p>https://youtu.be/KqJngFdvjjs case of FP of Microsoft</p>
<p>ACTIVITY 5: READING MATERIAL</p>  <p>Material to reinforce the Learning Outcome 2</p> <p>Learner writes blog. Others respond</p>	<ol style="list-style-type: none"> 1. Arrondel, L., Debbich, M., & Savignac, F. (2014). Financial literacy and financial planning in France. 2. Nam, Y., & Loibl, C. (2021). Financial capability and financial planning at the verge of retirement age. <i>Journal of Family and Economic Issues</i>, 42(1), 133-150.
<p>ACTIVITY 6: ONLINE DISCUSSION</p> 	<p>.</p> <p>Take a moment and give highlight through chat on any of the journal to earn you 5 marks. note to comment on someone chat.</p>

<p>Activities based on reading Material 5.</p> <p>Use chats, discussion forum, question/answer, message my teacher to engage others.</p> <p>Show how participation will be assessed</p>	
<p>LEARNING OUTCOME 3: PRACTICAL SKILLS VIDEO 3:</p> 	<p>Show video which displays practical use of knowledge acquired.</p> <p>https://youtu.be/pTnp8IOBvN8</p> <p>Share you lessons</p>
<p>ACTIVITY 7: Learner practice sessions</p>	<p>Learner practices the learnt skills. Learner to be given task to demonstrate mastery of the skill. AS above</p>
<p>ASSESSMENT OF PRACTICAL SKILL:</p>	<p>Learner records practiced skill and uploads video on E-Portfolio OR Learner engages in original creative /design activity to demonstrate practical application of knowledge. Assessment of tasks described.</p> <p>Action as advised above</p>
<p>LEARNING OUTCOME 4: KEY/TRANSFERABLE SKILLS</p>	<p>https://youtu.be/R2F92RyZ53w</p> <p>Lecture on financial planning and forecasting by Prof Amil K Sharma</p>
<p>ACTIVITY 8</p> <p>Learner to engage in communication, collaboration, problem solving, research, leadership activities. Examples, preparation of a poster to communicate new knowledge acquired, written essay, debate, audio recording ...etc.</p>	<p>https://youtu.be/lfY-udlQTuk</p> <p>Financial planning routine at amazon.</p> <p>Share your experience</p>
<p>QUIZZ:</p> 	<p>1. Which of the following is NOT a cash outflow for the firm?</p> <p>a) depreciation.</p> <p>b) dividends.</p> <p>c) interest payments.</p>

<p>Short questions to put knowledge to the test. Make it game like Challenge learners Questions of MCQ, T/F, short answer questions etc.</p>	<p>d) taxes.</p> <p>2. A company's ability to meet its short-term financial obligations is referred to as:</p> <p>a) Stability b) Efficiency c) Effectiveness d) Liquidity e) Profitability</p> <p>3. Planning for future growth is called:</p> <p>a) Capital Budgeting b) Working Capital Management c) Financial Forecasting d) None of the above</p>
<p>TAKE HOME MESSAGE</p>	<p>Learner to state the take home message from their learning experience.</p>
<p>Reference list</p>	<ol style="list-style-type: none"> 1. Brigham, E. F., & Houston, J. F. (2021). <i>Fundamentals of financial management: Concise</i>. Cengage Learning. 2. FranHuang, W. (2019). Financial Management Throughout End-to-End Business Processes. In: Built on Value. Palgrave Macmillan, Singapore. https://doi.org/10.1007/978-981-13-7507 3. Brigham, Eugene F. and Michael C. Ehrhardt 2017. <i>Financial Management: Theory and Practice</i>, 16th Edition Boston: Cengage 4. Brigham, E. F., & Daves, P. R. (2018). <i>Intermediate financial management</i>. Cengage Learning. 5. Myende, P. E., Samuel, M. A., & Pillay, A. (2018). Novice rural principals' successful leadership practices in financial management: Multiple accountabilities. <i>South African Journal of Education</i>, 38(2), 1-1 6. Alkaraan, F. (2018). Public financial management reform: an ongoing journey towards good governance. <i>Journal of Financial Reporting and Accounting</i>, 16(4), 585-609. 7. Bragg, S. M. (2010). <i>The new CFO financial leadership manual</i>. John Wiley & Sons. 8. Shapiro, A. C., & Hanoua, P. (2019). <i>Multinational financial management</i>. John Wiley & Sons. 9. Putri, K. D. C., Sari, M. M. R., Ramantha, I. W., & Budiasih, I. G. A. N. (2019). Effect of self-efficacy, competence and compensation in performance of financial manager on motivation as moderation.

International research journal of management, IT and social sciences, 6(3), 83-93.

10. Migliorelli, M. (2021). What do we mean by sustainable finance? Assessing existing frameworks and policy risks. *Sustainability*, 13(2), 975.