**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 5: ACTIVITY 7**

**Non-financial factors in investment decision making**

Investment appraisal techniques can be very useful. However, they are only part of the process of investment decision making in business.

Liqui and Meifing’s business is a limited company. A local businessman owns 45% of the shares in the company. The rest of the shares are owned by 30 other investors, who include Liqui and Meifing.

Liqui plans to expand operations into mainland China and intends to finance this expansion using a loan from a local bank.

Consider that Liqui plans use a $100,000 bank loan at an interest rate of 10% per year. The loan is repayable in equal annual instalments over five years.

If insufficient profit is generated by the business, then the repayments of finance charges and principal cannot be made.

Look back to LO5 Activity 5 and LO5 Activity 6.

#### In small groups

In addition to considering the case above, you will also need to identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future). Ideally this should be the business you chose earlier to re-visit throughout your classroom activities.

From your research:

1. Identify the non-financial factors that might need to be considered in investment decision making.
2. Consider your chosen organisation. Explain which of the non-financial factors that you identified in (1) might need to be considered by your chosen business.
3. Identify and explain the non-financial factors that might need to be considered in investment decision making for Liqui and Meifing’s business.
4. Prepare a short presentation on your findings.