BUSINESS114 Accounting for Decision Making

THE UNIVERSITY OF AUCKLAND · UNDERGRADUATE · SEMESTER 2, 2026

Full guide + ask Sia about BUSINESS114

SIDE 1/2 · WHAT THE FINAL REWARDS · definitions · formulas · decision rules · comparisons · EXAM REVISION SHEET · Final Exam **50%** · S2 2026

1 · Exam map

COURSE.JSON · BRIEF

Q 10 | A1 10 | A2 10 | A3 10 | T 10 | FINAL EXAM 50%

Quizzes 10% · Assignment 01 10% · Assignment 02 10% · Assignment 03 10% · Test (Online) 10% · Final Exam 50%

PERMISSION TRUTH · VERBATIM

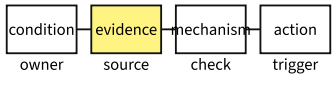
Permitted materials: not confirmed for this offering in the course materials we hold — check the exam instructions on the LMS.

COMPONENT	WEIGHT	PUBLISHED FORMAT
Quizzes	10%	Individual coursework
Assignment 01	10%	Individual coursework
Assignment 02	10%	Individual coursework
Assignment 03	10%	Individual coursework
Test (Online)	10%	Individual online test
Final Exam	**50%**	Individual examination

The retrieved catalogue publishes the six weights, totalling 100%, but not detailed task briefs, a hurdle statement, or final-examination date, duration and conditions. Silence is missing evidence, not a basis for inference.

2 · The universal answer chain

C1 · C10



compare on the same criteria

Source → mechanism → comparison → action.

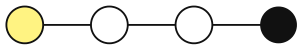
1. **Spot the decision:** actor, affected stakeholder and time horizon.
2. **Separate evidence:** current condition, scenario facts and student inference.
3. **Show the link:** state what changes, for whom and through what process.
4. **Compare:** same criteria; who benefits, who bears risk, implementation capability, failure evidence.
5. **Conclude:** actor + action + rationale + review trigger. Answer the task, not merely the topic.

EXAM MOVE *One decision sentence; two evidence/mechanism sentences; one alternative; one qualified recommendation. Expand only the contested move.*

TRAP → FIX *Preference dressed as analysis cannot point back to evidence. Build a decision ledger: condition, stakeholder, evidence, mechanism and criterion. Compare two feasible options on beneficiaries, risk bearers, required capability and failure evidence; finish with actor, action, rationale and review trigger.*

3 · Information → recommendation

C2 · GLOSSARY



fin/non-fin purpose conclusion message

Purpose selects evidence; polish comes last.

LAYER	QUESTION TO ANSWER	FAILURE
Financial	What amount, timing, return or cost changes?	Number without decision relevance
Non-financial	Which risk, control, capability or stakeholder matters?	Unranked fact list
Purpose	Who decides, and what do they need?	Evidence chosen by familiarity
Message	What action, reason and review trigger?	Polish masking weak inference

★ *PAPER model*: the course names a five-part professional-email method, but its letter labels are not in the held material. Retrieve the taught Canvas labels; do not guess them.

RECOMMENDATION SCAFFOLD

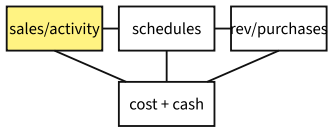
```
To [decision owner]: choose [action] because [financial evidence] changes [stakeholder outcome] through [mechanism]. Compared with [alternative], it better meets [same criteria]. Review if [trigger].
```

BOUNDARY *A polished message cannot repair an unsupported accounting conclusion.*

4 · Operating budget

C3 · GLOSSARY

Operating budget forecasts **revenue, purchases and operating costs** for a period. It is conditional on sales and activity assumptions, not a guaranteed prediction.



Change one input; trace every linked schedule.

STEP	CONTROL QUESTION
1 Assumptions	Sales/activity amount, period and source?
2 Links	Which revenue, purchase and cost schedules move?
3 Timing	When does each item become a cash receipt/payment?
4 Sensitivity	Which assumption drives the recommendation?

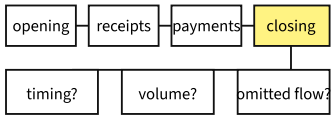
5 · Cash budget & control

C4 · GLOSSARY

Cash budget schedules cash receipts, payments and closing cash. Keep operating performance distinct from cash timing.

RECONCILIATION IDENTITY

```
Closing cash = Opening cash + Cash receipts - Cash payments
```



Reconcile first; diagnose cause second.

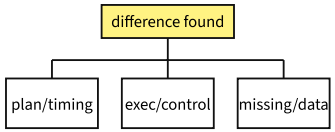
OBSERVATION	ASK BEFORE JUDGING	LIKELY TEST
Shortfall despite sales	Receipt date versus sale date?	Timing
Receipts/payment level differs	Was activity volume different?	Volume
Reconciliation fails	Is a cash flow absent/duplicated?	Omission
Unfavourable variance	Was the cause controllable?	Management attribution

Planning sets financial and operational targets. *Control* compares actual with target and investigates favourable or unfavourable variance.

BOUNDARY *Do not treat every unfavourable difference as evidence of poor management. Attribute only after cause and controllability are established.*

6 · Variance response

C4 · FAQ/WEX



A variance prompts investigation, not a verdict.

WRITE THE ANSWER

```
Observed difference → reconcile amount/timing → identify cause → test controllability → state action + evidence that would reveal failure.
```

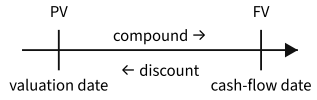
Make the inference auditable: identify the exact budget line and period; state whether the difference arose from the underlying activity assumption, linked schedule, receipt/payment timing or omitted flow; then distinguish an operational explanation from a management-attribution claim.

The recommendation must follow the diagnosed cause. A timing gap calls for a timing response; changed activity calls for revised linked schedules; a missing flow calls for correction before judgement.

7 · Time value: single sums

C5 · GLOSSARY

Time value of money: a dollar today and a dollar later are not equivalent because current money can earn a return. **Compounding** travels forward; **discounting** travels back.



i unit = n unit

Name both dates before selecting a factor.

FACTOR-TABLE RELATIONSHIPS

```
FV = PV × FVIF(i,n)
PV = FV × PVIF(i,n)
i = rate per period · n = number of matching periods
```

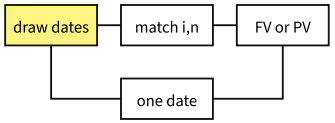
PROMPT	USE	DIRECTION/CHECK
Value later of one amount now	FVIF	Compound forward
Value now of one later amount	PVIF	Discount back
Compare alternatives	Common date	Convert every amount
Rate/term sensitivity	Change i or n	Re-run conclusion

The factor is the last choice, not the first. Draw the valuation and cash-flow dates; convert the required return to the same time unit as periods; then use the relevant factor.

BOUNDARY *Rates and periods must use the same time unit and a named cash-flow date. A correct factor with mismatched timing is the wrong valuation.*

8 · Single-sum decision loop

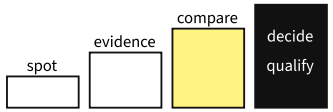
C5 · WEX



Timing → factor → common-date comparison.

8b · Integrated answer

C10 · FAQ/WEX

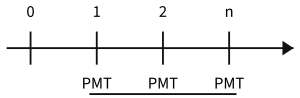


Issue spotting must reach a bounded action.

9 · Annuities & investment

C6 · GLOSSARY

Annuity = equal payments at regular intervals. For an ***ordinary annuity***, locate the first and last cash flows before selecting a course-table factor.



equal · regular · period end

Ordinary annuity: first payment after time 0.

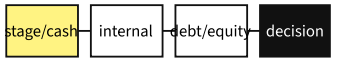
CLASSIFICATION TEST	IF YES	IF NO
Equal amounts?	Continue	Value cash flows separately
Regular intervals?	Continue	Use separate dated amounts
First payment at period end?	Ordinary-annuity timing	Do not force that pattern
PV comparison requested?	Convert alternatives to one date	Follow requested valuation date

Sensitivity: change the rate or term, recompute the present-value comparison, and state whether the recommendation survives. The factor table performs conversion; it does not validate classification.

BOUNDARY *A table factor is not evidence that the cash-flow pattern was classified correctly.*

10 · Funding fit

C7 · GLOSSARY



control · repayment · risk-return

start-up → expansion → growth → exit

Match source to stage, control and capacity.

CRITERION	QUESTION
Lifecycle fit	Does source match current risk and cash need?
Control	What restrictions or ownership consequences follow?
Liquidity	Can cash flows support repayment/timing?
Return/risk	What required return and qualitative risk?
Failure trigger	What evidence would reverse the choice?

BOUNDARY *Cheapest headline finance may carry restrictive control or liquidity consequences.*

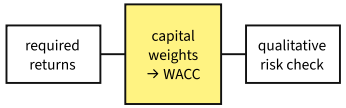
11 · WACC & financing choice

C8 · GLOSSARY

WACC is the average required return on debt and equity, weighted by each source's share of total capital and normally using the **after-tax cost of debt**.

TRACEABLE WEIGHTED-COST FORM

```
Weighted financing cost = (debt weight × after-tax debt cost) + (equity weight × equity cost)
Weights = each source's share of total capital
```



risk/mix change → re-evaluate

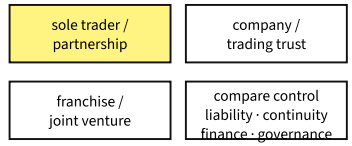
Calculate weighted cost; then test qualitative risk.

METHOD	WHY IT BITES
Required return	Sets the return demanded by a financing source.
Capital weights	Reflect each source's share of total financing.
Weighted cost	Combines debt and equity required returns.
Qualitative risk	Can narrow or reverse the numeric recommendation.
Sensitivity	Risk or capital-mix change requires re-evaluation.

BOUNDARY *Use the course's published method; this resource does not invent a firm-specific rate.*

12 · Structures + integrated decision

C9–C10



Choose by consequences, not label familiarity.

CRITERION	SCENARIO MAPPING
Control	Who can decide and on what terms?
Liability	Who bears legal/financial exposure?
Continuity	What happens when ownership changes?
Finance	Which funding access and obligations follow?
Governance	Which oversight and decision process?

BOUNDARY *Business structure is a legal decision; use current professional advice for an actual venture.*

Semester Two examination period, 29 October – 16 November 2026 (check your personal exam timetable).
Check your exam instructions on the LMS for what you may bring; use this sheet to revise and self-test.

BUSINESS114

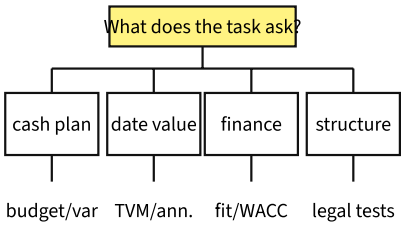
Self-test drills · answer paths · classic traps

ACCOUNTING FOR DECISION MAKING · THE UNIVERSITY OF AUCKLAND · SEMESTER 2, 2026

Full guide + ask Sia about BUSINESS114

SIDE 2/2 · 5 WORKED MINI-DRILLS · IF X → DO Y · traps · fast recall · exam-morning plan · EXAM REVISION SHEET · Answer path before prose

13 · Method chooser C2–C10



Choose from the operation, not the keyword.

IF YOU SEE…	DO THIS	DO NOT
Changed sales/activity assumption	Trace linked schedules to cash timing	Change one line only
Cash shortfall/variance	Reconcile, then diagnose cause/control	Blame management immediately
Money at different dates	Draw dates; match i and n; common date	Pick factor by keyword
Equal repeated payments	Locate first/last flow; classify pattern	Let table validate timing
Funding choice	Stage + control + capacity + risk/cost	Choose headline cheapest
Structure scenario	Map control/liability/continuity/finance	Recite labels only

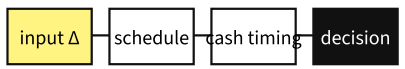
14 · Drill 1: operating budget C3 · WEX [4]

Prompt. A draft jumps from sales/activity assumptions straight to cash timing. Restore the linked-schedule mechanism and qualify the result.

1. **[1]** Mark the starting sales/activity assumption.
2. **[1]** State which linked schedule changes and how.
3. **[1]** Carry that link into cash timing; do not skip an intermediate quantity/stage.
4. **[1]** Conclude: output is conditional on the named assumptions, not guaranteed.

ANSWER PATH

```
assumption → revenue/purchases/cost schedule
→ receipt/payment timing → conditional
budget → action + review trigger
```



repair the first failed link

Every arrow is a verb-led, checkable mechanism.

TRAP → FIX *A budget is conditional on assumptions, not a guaranteed prediction. Carry the changed sales/activity input through every linked schedule to receipt/payment timing, then state the review trigger.*

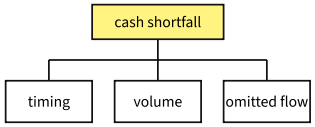
15 · Drill 2: cash shortfall C4 · WEX [4]

Prompt. Identify whether a cash shortfall comes from timing, volume or an omitted cash flow. A draft jumps from receipts/payments to variance diagnosis.

1. **[1]** List cash receipts and payments for the relevant period.
2. **[1]** Restore the opening/closing cash link by reconciliation.
3. **[1]** Diagnose timing, volume or omission using the reconciled path.
4. **[1]** State the cause and whether it was controllable; do not equate unfavourable with poor management.

ANSWER PATH

```
Opening + receipts - payments =
closing → locate difference → test
timing/volume/omission → test
controllability → action
```



what evidence separates causes?

Evidence must separate the three causes.

SELF-CHECK	PASS CONDITION
Arithmetic	Opening + receipts − payments equals closing.
Period	Every receipt/payment belongs to the named period.
Classification	Cash flow is not confused with revenue/cost recognition.
Attribution	Evidence supports cause and controllability.
Recommendation	Names action, rationale and review trigger.

TRAP *A correct closing cash amount can still support a weak diagnosis if timing, activity volume and missing flows were never separated.*

16 · Cash/operating distinction GLOSSARY

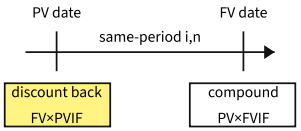
OPERATING BUDGET	CASH BUDGET
Revenue, purchases, operating costs	Cash receipts, payments, closing cash
Planning logic and activity assumptions	Cash timing and liquidity
Links schedules	Reconciles cash

DEFINITION *Planning sets financial and operational targets; control compares actual results with them and investigates favourable or unfavourable variances. Attribute poor management only when evidence shows the cause was controllable.*

17 · Drill 3: single-sum TVM C5 · WEX [4]

Prompt. A draft treats present value and future value as equivalent when comparing money at two dates. Use discount rate and period as the discriminator.

1. **[1]** State the exact comparison and common valuation date.
2. **[1]** Define/pin the present amount and its date.
3. **[1]** Define/pin the future amount; identify what prevents collapsing it into PV.
4. **[1]** Match rate and period units, convert to the common date, then conclude.



Two dates are not two names for the same value.

MARK-LOSING TRAP	REPAIR
No valuation date	Name date beside every value.
Rate does not match periods	Express i per period used by n.
Amounts compared at different dates	Move both to one common date.
Factor chosen before direction	Draw timeline; decide forward/back first.
Mechanically correct, weak conclusion	Link value comparison to named decision owner.

MODEL CONCLUSION

```
At [common date], option [X] has
the decision-relevant value under
rate [i per period] for [n
matching periods]. Prefer [action]
because [mechanism]; review if
rate/term changes.
```

18 · Fast factor check C5 · GLOSSARY

ONE AMOUNT	REPEATED EQUAL AMOUNTS
Use single-sum FVIF/PVIF relationship.	Classify annuity timing before factor.
One cash-flow date.	First and last payment dates matter.
Convert to named date.	Compare present values; test rate/term.

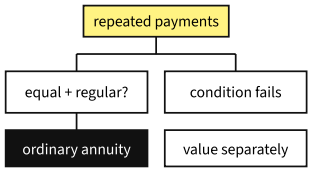
25 · Exam-morning plan STRATEGY · BRIEF

PASS	ACTION
1 Retrieve	Say definitions, identities and boundaries aloud without notes.
2 Transfer	Change the scenario; choose method from operation, not wording.

19 · Drill 4: annuity choice C6 · WEX [4]

Prompt. Ordinary-annuity wording appears in a repeated-payment decision. Test whether the classification is defensible before choosing a factor.

1. **[1]** Extract the required decision and valuation date.
2. **[1]** State the preconditions: equal payments, regular intervals, first payment timing.
3. **[1]** Use present-value comparison; test the nearest alternative pattern.
4. **[1]** Re-run sensitivity to rate and term; narrow/withdraw if the pattern is misclassified.



Classify the pattern before choosing a factor.

ANSWER COMPONENT	WHAT THE MARKER CAN CHECK
Timeline	First/last cash-flow dates and valuation date.
Pattern	Equal amounts and regular intervals.
Method	Factor selected after classification.
Comparison	Alternatives converted to same date.
Sensitivity	Rate/term change tested against conclusion.

TRAP *The table can supply a mathematically valid factor for a cash-flow pattern that the scenario does not contain.*

20 · Communication judgement card C2 · WEX

If a polished draft selects evidence by keyword → **extract the actor/outcome**, test financial and non-financial evidence against stakeholder purpose, reject the nearest alternative, then write the message. Withdraw or narrow when the accounting inference is unsupported.



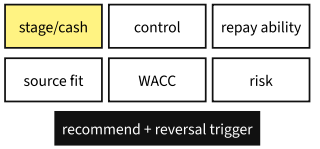
content → structure → polish

Professional form cannot substitute for evidence.

21 · Drill 5: funding → WACC C7–C8 · WEX [4]

Prompt. Match a funding source to stage, control needs and repayment capacity; explain why risk or capital mix could change the recommendation.

1. **[1]** Fix the organisation's lifecycle stage, cash need and decision owner.
2. **[1]** Compare internal funds, debt and equity; state control and repayment mechanisms.
3. **[1]** Calculate/interpret weighted financing cost using the course method; test qualitative risk.
4. **[1]** Recommend with a trigger; cheapest headline finance may not be best after control/liquidity effects.



Funding fit and weighted cost differ.

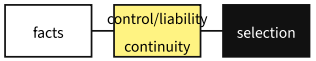
EVIDENCE	ROLE IN ANSWER
Internal funds	Available source; test sufficiency and trade-off.
Debt	Repayment/liquidity and control restrictions.
Equity	Required return and ownership/control consequences.
WACC	Weighted required return across debt/equity mix.
Qualitative risk	Counter-case capable of changing recommendation.

ANSWER PATH

```
stage/need → feasible sources →
control & capacity → weighted cost
→ qualitative risk →
recommendation + review trigger
```

22 · Structure judgement card C9 · WEX

If a scenario asks for a structure → compare at least two feasible forms against the same **control, liability, continuity and finance** criteria. Explain how company/trust consequences differ from sole trader/partnership; then qualify the classroom conclusion.

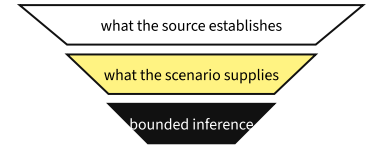


finance + governance

Map legal consequences to facts; do not rank labels.

23 · Classic traps → repairs FAQS · WEXS

TRAP	WHY IT FAILS	REPAIR
Infer final conditions from silence	Catalogue omits operations	Verify current LMS instructions
Budget = guaranteed forecast	Output depends on assumptions	Name assumption + sensitivity
Unfavourable = poor management	Cause may be timing/uncontrollable	Diagnose cause/control first
PV and FV treated alike	Different dates	Timeline + common date
Rate/period mismatch	Wrong valuation distance	Same time unit for i and n
Factor validates annuity	Table does not classify flows	First/last flow before factor
Cheapest funding wins	Ignores control/liquidity/risk	Compare lifecycle fit and consequences
Invent firm-specific rate	Unsupported input	Use published course method only
Structure chosen by label	No fact-to-consequence link	Map four scenario criteria
Polished unsupported email	Form cannot repair inference	Purpose → evidence → conclusion
Issue list without action	No mechanism/recommendation	Each issue changes a decision step

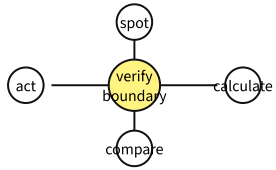


Strong answers narrow claims as evidence narrows.

COUNTER-CASE TEST

```
What plausible alternative explanation,
rate, term, timing, capital mix,
structure consequence or stakeholder
effect would reverse the result?
```

24 · Integrated answer checklist C10 · WEX



Spot → calculate/evidence → compare → act → verify.

1. What must be decided? Name actor, stakeholder, time horizon.

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