

Per the publisher's request, the full file is available after purchase.

The Pocket CFO: Tools And Metrics

The Pocket CFO: Tools and Metrics

Copyright © 2014 by

DELTACPE LLC

All rights reserved. No part of this course may be reproduced in any form or by any means, without permission in writing from the publisher.

The author is not engaged by this text or any accompanying lecture or electronic media in the rendering of legal, tax, accounting, or similar professional services. While the legal, tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the author's opinions based thereon cannot be guaranteed. In addition, state or local tax laws and procedural rules may have a material impact on the general discussion. As a result, the strategies suggested may not be suitable for every individual. Before taking any action, all references and citations should be checked and updated accordingly.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert advice is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

Course Description

This course is a one-stop problem-solver for today's busy executive. The course is a working guide to help you quickly pinpoint in the complex world of business.

- What to look for
- What to do
- What to watch out for
- How to do it

You'll find ratios, formulas, guidelines, and rules of thumb to help analyze and evaluate any business-related problem. Throughout, you'll find this course practical, quick, and useful. Part I takes you through accounting principles and guidelines for evaluating a company's financial health. You will have an increased understanding of various financial statements and their implications. You will be exposed to Corporate Responsibility Law, better known as the Sarbanes-Oxley (SOX) Act. Part II takes a look at financial analysis tools, financial metrics, and financing methods for decision making. Part III takes you through the seemingly complex world of quantitative analysis. You'll use statistics for forecasting and validity testing. Decision theories include linear programming, learning curve theory, and queuing models; these are presented concisely and comprehensively to help you use such sophisticated techniques with relative ease. And, you'll learn how computer applications facilitate the many complex procedures. This course has been designed in question-and-answer format in order to address the pertinent issues that come up during the course of business.

Field of Study	Finance
Level of Knowledge	Basic to Intermediate
Prerequisite	None
Advanced Preparation	None

Table of Contents

Chapter 1: Financial Statements, the Sarbanes-Oxley Act, and Corporate Governance	2
<i>Learning Objectives:</i>	2
1.1 <i>What and Why of Financial Statements</i>	3
1.2 <i>Classified Financial Statements</i>	6
1.3 <i>Statement of Cash Flows</i>	11
<i>Chapter 1 Review Questions – Section 1</i>	13
1.4 <i>Cash Flow Analysis</i>	15
1.5 <i>Other Sections of the Annual Report</i>	20
1.6 <i>Quarterly Report</i>	23
1.7 <i>The Management's Discussion and Analysis (MD&A) Section of an Annual Report</i>	24
1.8 <i>The Sarbanes-Oxley (Sox) Act</i>	24
<i>Chapter 1 Review Questions – Section 2</i>	32
Chapter 2: How To Evaluate And Improve A Company's Financial Performance	34
<i>Learning Objectives:</i>	34
2.1 <i>How To Evaluate A Company's Financial Performance</i>	35
2.1.1 Horizontal and Vertical Analysis	35
2.1.2 Working with Financial Ratios.....	39
<i>Chapter 2 Review Questions – Section 1</i>	54
2.2 <i>How to Analyze and Improve Corporate Profitability and Shareholder Value</i>	57
2.2.1 Return on Investment (ROI) and the Du Pont Formula.....	57
2.2.2 Return on Equity (ROE) and the Modified Du Pont Formula	64
<i>Chapter 2 Review Questions – Section 2</i>	67
Chapter 3: Internal Accounting Applications for Your Company.....	68
<i>Learning Objectives:</i>	68
3.1 <i>How to Analyze Divisional and Departmental Performance</i>	69
3.2 <i>Contribution Margin Analyses</i>	75
3.3 <i>Pricing Tools</i>	82
3.4 <i>Evaluating the Product Line</i>	83
3.5 <i>How to Measure Marketing Effectiveness</i>	84
<i>Chapter 3 Review Questions – Section 1</i>	86

3.6 <i>Budgeting Techniques</i>	88
3.7 <i>Highlighting Problem Areas with Variance Analysis</i>	92
3.8 <i>Activity-Based Costing (ABC)</i>	100
3.9 <i>Life-Cycle Costs and Target Costing</i>	104
3.10 <i>Balanced scorecard</i>	109
<i>Chapter 3 Review Questions - Section 2</i>	111
Chapter 4: Cost-Volume-Profit Analysis, Operating Leverage, and Discounting Analysis	114
<i>Learning Objectives:</i>	114
4.1 <i>Cost-Volume-Profit (CVP) Analysis</i>	114
4.2 <i>Contribution Margin</i>	117
4.3 <i>From Break-Even to Target Profits</i>	121
4.4 “ <i>What-if</i> ” Analysis	124
<i>Present</i>	126
<i>Proposed</i>	126
<i>Difference</i>	126
4.5 <i>Sales Mix Analysis</i>	127
<i>Deluxe</i>	127
<i>Standard</i>	127
<i>Deluxe</i>	128
<i>Standard</i>	128
<i>Budgeted</i>	128
<i>Actual</i>	129
<i>Economy</i>	129
<i>Regular</i>	129
<i>Backpacker</i>	129
<i>Total</i>	129
4.6 <i>Operating Leverage</i>	131
<i>Chapter 4 Review Questions – Section 1</i>	133
4.7 <i>Time Value of Money—Future and Present Values</i>	135
<i>Chapter 4 Review Questions – Section 2</i>	153
Chapter 5: Capital Budgeting	155

<i>Learning Objectives:</i>	155
<i>5.1 Capital Budgeting</i>	155
<i>5.2 Techniques for Evaluating Investment Proposals</i>	157
<i>Chapter 5 Review Questions – Section 1</i>	167
<i>5.3 Effect of Income Taxes on Capital Budgeting Decisions</i>	169
<i>5.4 The Lease - Purchase Decision</i>	175
<i>5.5 Capital Budgeting and Inflation</i>	179
<i>Chapter 5 Review Questions – Section 2</i>	181
Chapter 6: Assets Management, Financing Techniques, and Portfolio Theory	182
<i>Learning Objectives:</i>	182
<i>6.1 Managing Working Capital</i>	183
<i>6.2 Maximizing Your Return on Cash</i>	184
<i>6.3 Managing Accounts Receivable</i>	189
<i>6.4 Formulating the Best Investment Strategy</i>	194
<i>Chapter 6 Review Questions – Section 1</i>	199
<i>6.5 How to Best Finance Your Business</i>	201
<i>6.6 How to Reduce Risk: Diversify</i>	208
<i>6.7 Beta - The Capital Asset Pricing Model (CAPM)</i>	212
<i>6.8 The Arbitrage Pricing Model (APM)</i>	214
<i>Chapter 6 Review Questions – Section 2</i>	216
Chapter 7: Decision Making with Statistics and Forecasting	219
<i>Learning Objectives:</i>	219
<i>7.1 How to Use Basic Statistics</i>	219
<i>7.2 Using Forecasting Techniques</i>	224
<i>7.2.1 Moving Averages</i>	224
<i>7.2.2 Exponential Smoothing</i>	226
<i>7.3 Regression Analysis for Sales and Earnings Projections</i>	231
<i>Chapter 7 Review Questions – Section 1</i>	237
<i>7.4 What Statistics to Look for in Regression Analysis</i>	239
<i>7.4.1 Statistics to Look For In Multiple Regressions</i>	244
<i>7.5 Measuring the Accuracy of Your Forecasts</i>	246
<i>7.6 How to Use a Computer Statistical Package for Multiple Regressions</i>	248
<i>Chapter 7 Review Questions – Section 2</i>	257

Chapter 8: Making Use of Quantitative Decision Making	259
<i>Learning Objectives:</i>	259
8. 1 Decision Making under Risk, Certainty, and Conflict.....	260
8.2 Decision Making Under Uncertain Conditions.....	263
8.3 Decision Theory	266
8.4 Linear Programming and Shadow Prices.....	269
8.4.1 Linear Programming.....	269
8.4.2 Shadow Prices (Opportunity Costs)	273
8.4.3 How to Use the Computer for Linear Programming	274
<i>Chapter 8 Review Questions – Section 1</i>	277
8.5 Learning Curve.....	280
8.6 Inventory Planning and Control.....	282
8.7 Queuing (Waiting Line) Models.....	291
<i>Chapter 8 Review Questions – Section 2</i>	296
Glossary	298
Index.....	308
Review Question Answers	310

PREFACE

This course is a one-stop problem-solver for today's busy executive. It is a sequel to *The Pocket MBA: Concepts and Strategies*. The course is a working guide to help you quickly pinpoint in the complex world of business.

- What to look for
- What to do
- What to watch out for
- How to do it

You'll find ratios, formulas, guidelines, and rules of thumb to help you analyze and evaluate any business-related problem. Throughout, you'll find this course practical, quick, and useful. Uses for this course are as varied as the topics presented.

Part I (Chapters 1, 2, and 3) takes you through accounting principles and guidelines for evaluating a company's financial health. You will have an increased understanding of various financial statements and their implications. You will be exposed to Corporate Responsibility Law, better known as the Sarbanes-Oxley (SOX) Act. You'll learn techniques for analyzing another company's financial position should you wish to invest, extend credit, or compare. You will also learn how to improve a company's corporate profitability and shareholder value. We present internal managerial accounting applications to help you evaluate your own company's performance, profitability, marketing effectiveness, and budgeting process. You'll learn how to highlight problem areas with variance analysis. You will also learn some valuable new tools, such as activity-based costing (ABC), life-cycle costing, target costing, and corporate balanced scorecard.

Part II (Chapters 4, 5, and 6) takes a look at financial analysis tools, financial metrics, and financing methods for decision making. Through break-even and sensitivity analysis, you'll be able to move your company toward greater profits. For investment purposes, this part presents guidelines for evaluating proposals, whether they be short or long term, for profit potential and risk-return comparisons. You'll learn management and financing techniques to ensure the best possible strategies for maximizing and acquiring cash. Also covered are basic financial tenets of portfolio theory, the Capital Asset Pricing Model (CAPM), and the Arbitrage Pricing Model (APM).

Part III (Chapters 7 and 8) takes you through the seemingly complex world of quantitative analysis. You'll use statistics for forecasting and validity testing. Decision theories include linear programming, learning curve theory, and queuing models; these are presented concisely and comprehensively to help you use such sophisticated techniques with relative ease. And, you'll learn how computer applications facilitate the many complex procedures. Computer applications are heavily stressed throughout the chapters.

This course has been designed in question-and-answer format in order to address the pertinent issues that come up during the course of business. The questions are typical of those asked by persons like yourself. The answers are clear, concise, and to the point. In short, this is a veritable cookbook of guidelines, illustrations, and "how-to's" for you, the modern decision maker.

Per the publisher's request, the full file is available after purchase.