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# **Accounting and Finance for Business Analysis**

# Accounting and Finance for Business Analysis

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## Course Description

This course covers what everything business people and managers need to know about accounting and finance. It is directed toward the businessperson who must have financial and accounting knowledge but has not had formal training in finance or accounting—perhaps a newly promoted middle manager or a marketing manager of a small company who must know some basic finance concepts. The entrepreneur or sole proprietor also needs this knowledge; he or she may have brilliant product ideas, but not the slightest idea about financing. The goal of the course is to provide a working knowledge of the fundamentals of finance and accounting that can be applied, regardless of the firm size, in the real world. It gives nonfinancial managers the understanding they need to function effectively with their colleagues in finance.

<b>Field of Study</b>	Accounting
<b>Level of Knowledge</b>	Basic to Intermediate
<b>Prerequisite</b>	Basic Math and Accounting
<b>Advanced Preparation</b>	None

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# Preface

This course is directed toward the businessperson who must have financial and accounting knowledge but has not had formal training in finance or accounting—perhaps a newly promoted middle manager or a marketing manager of a small company who must know some basic finance concepts. The entrepreneur or sole proprietor also needs this knowledge; he or she may have brilliant product ideas, but not the slightest idea about financing.

The goal of the course is to provide a working knowledge of the fundamentals of finance and accounting that can be applied, regardless of the firm size, in the real world. It gives non-financial managers the understanding they need to function effectively with their colleagues in finance.

We show you the strategies for evaluating investment decisions such as return on investment analysis. You will see what you need to know, what to ask, which tools are important, what to look for, what to do, how to do it, and what to watch out for. You will find the course easy to read and useful. Many practical examples, illustrations, guidelines, measures, rules of thumb, graphs, diagrams, and tables are provided to aid comprehension of the subject matter.

You cannot avoid financial information. Profitability statements, rates of return, budgets, variances, asset management, and project analyses, for example, are included in the non-financial manager's job.

The financial manager's prime functions are to plan for, obtain, and use funds to maximize the company's value. The financial concepts, techniques, and approaches enumerated can also be used by any non-financial manager, irrespective of his or her primary duties. All non-financial managers are in some way involved with the financial areas of business.

This course is designed for non-financial executives in every functional area of responsibility in any type of industry. Whether you are in marketing, manufacturing, personnel, operations research, economics, law, behavioral sciences, computers, personal finance, taxes, or engineering, you must have a basic knowledge of finance. Because your results will be measured in dollars and cents, you must understand the importance of these numbers so as to optimize results in both the short and long term.

Knowledge of the content of this course will enable you to take on additional managerial responsibilities. You will be better equipped to prepare, appraise, evaluate, and approve plans to accomplish departmental objectives. You will be able to back up your recommendations with carefully prepared financial support as well as state your particular measure of performance. By learning how to think in terms of finance and accounting, you can intelligently express your ideas, whether they are based on marketing, production, personnel, or other concepts.

You'll learn how to appraise where you have been, where you are, and where you are headed. Financial measures show past, current, and future performance. Criteria are presented by which you can examine the performance of your division and product lines and also formulate realistic profit goals.

Non-financial managers should have a grasp of financial topics, but need not be able to arrive at the mathematical answer (e.g., discounted rate of return problem). Non-financial managers mainly need to know enough to *ask* their financial colleagues what the discounted rate of return is for a variety of investment decisions. A decision can then be based on their answer.

You should have a basic understanding of financial information so as to evaluate the performance of your responsibility center. Are things getting better or worse? What are the possible reasons? Who is responsible? What can you do about it?

You need to know whether your business segment has adequate cash flow to meet requirements. Without adequate funds, your chances of growth are restricted.

You must know what your costs are in order to establish a suitable selling price. What sales are necessary for you to break even?

You may have to decide whether it is financially advantageous to accept an order at below the normal selling price. If you have idle facilities, a lower price may still result in profitability.

You need to be able to express your budgetary needs in order to obtain proper funding for your department. You may have to forecast future sales, cash flows, and costs to see if you will be operating effectively in the future.

Variance analysis helps you to spot areas of inefficiency or efficiency by comparing actual performance to standards. What are the reasons that sales targets differ from actual sales? Why are costs much higher than expected? The causes must be searched out so that corrective action may be taken.

You can undertake certain strategies to improve return on investment by enhancing profitability or using assets more efficiently. You have to understand that money has associated with it a time value. Thus, you would prefer projects that generate higher cash flows in earlier years. You may also want to compute growth rates.

You are often faced with a choice of alternative investment opportunities. You may have to decide whether to buy machine A or machine B, whether to introduce a certain product line, or whether to expand.

In managing working capital, you have to get the most out of your cash, receivables, and inventory. How do you get cash faster and delay cash payments? Don't forget that you need liquid funds to meet ongoing expenditures. Should you extend credit to marginal customers? How much inventory should you order at one time? When should you order the inventory?

In financing the business, a decision has to be made whether short-term, intermediate-term, or long-term financing is suitable. The financing mix of the company in terms of equity or debt affects the cost of financing and influences the firm's risk position. What is the best financing source in a given situation?

Taxes are important in any business decision; the after-tax effect is what counts. Proper tax planning will make for wise decisions. Are you maximizing your allowable tax deductions?

Financial decisions are usually formulated on the basis of information generated by the accounting system of the firm. Proper interpretation of the data requires an understanding of the assumptions and rules underlying such systems, the convention adopted in recording information, and the limitations inherent in the information presented. To facilitate this understanding, an understanding of basic accounting concepts and conventions is helpful. You should be able to make an informed judgment on the financial position and operating performance of the entity. The balance sheet, the income statement, and the statement of cash flows are the primary documents analyzed to determine the company's financial condition. These financial statements are included in the annual report.

What has been the trend in profitability and return on investment? Will the business be able to pay its bills? How are the receivables and the inventory turning over? Various financial statement analysis tools are useful in evaluating the company's current and future financial conditions. These techniques include horizontal, vertical, and ratio analyses.

Keep this course handy for easy reference throughout your career; it will help you answer financial questions in all the areas mentioned here and in any other matter involving money.

<b>Field of Study</b>	Accounting
<b>Level of Knowledge</b>	Overview
<b>Prerequisite</b>	Basic Math
<b>Advanced Preparation</b>	None

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