

Finance for Non-Financial Managers

A Two-Day Programme



Aims and Objectives

To be discussed and agreed with the client

This course assumes a low level of accounting knowledge

Methodology

The programme will consist of lectures, supported by exercises and group case study work.

We will reduce the technical content to the minimum level necessary to understand the key concepts. However, delegates will need a basic understand of mathematics and should be familiar with the calculation of ratios, percentages and averages. Calculators will be required. In addition, we suggest using laptop computers (one per two delegates) and some simple Excel spreadsheets, although this requirement can be dropped if the delegates do not have a basic knowledge of Excel.

The style will be interactive, with the delegates encouraged to contribute their views and questions.

Day One

Session 1

Introduction and Corporate Objectives

- Objectives of the course
- Shareholder value and how it is measured
- Satisfying the needs of other stakeholders
- What drives corporate performance and shareholder value
- The risk / return trade-off
- What gets measured gets managed

Exercise: The risk / return characteristics of different types of investments

Session 2

The Purpose of Accounts and Accounting Concepts

- The purpose of accounts
 - information for regulators, management, shareholders, lenders, suppliers and tax authorities
 - to assess financial condition and performance
 - to assess future viability
- The main accounting concepts
- The distinction between profits and cash
 - examples of sales on credit and supplies on credit
- Management accounts and statutory accounts
- Budgets and forecasts
- Individual company accounts and consolidated accounts

Exercise: The application of accounting concepts

Session 3

Legal and Regulatory Issues

- The legal requirement for accounts
- Auditing requirements
- Accounting regulators and Generally Accepted Accounting Principles (GAAP)
- Accounting standards in the client's country c.f. US GAAP and IAS
- Accounting policies and their application

Case Study: Review of auditors' reports for two companies (one a "Core Company" in the client's country)

Case Study: Review of Core Company accounting policies

Session 4

Double Entry Book-Keeping and the primary financial statements

- Book-keeping methodology; source documents and ledgers; appropriation of receipts & payments; examples
- The trial balance
- The trading account
- The balance sheet
- The profit & Loss account
- The cash flow statement

Exercises:

Double entry book-keeping

- debits and credits
- buying and selling on credit
- Devine plc

Session 5

The Balance Sheet - 1

- Horizontal format
- Vertical format
- Fixed assets
 - tangible & intangible assets
 - goodwill
- Depreciation & amortisation
- Current assets
 - stock / inventory
 - debtors & prepayments
 - cash
 - other types, e.g. short term investments, assets for sale

Exercises: Is it an intangible asset?

Review of Core Company assets

Day Two

Session 1

The Balance Sheet - 2

- Current liabilities
 - trade creditors
 - tax
 - short term debt
 - interest due
 - dividends due
 - other types
- Non-current liabilities
 - debt: loans, lease & bonds
 - deferred tax
 - other types
- Minority interests
- Share capital & reserves

Exercises: Jumbled up balance sheet
Review of Core Company liabilities

Session 2

The Profit & Loss Account

- Sales
- Cost of sales
- Depreciation & amortisation (again)
- Overheads
- Operating profit
- Exceptional & extraordinary items
- Interest & similar charges
- Profit before & after tax
- Minority interest payments
- Dividends & retained profit

Exercises: Jumbled up P&L account
Review of Core Company P&L account

Session 3

The Cash Flow Statement

- Operating profit
- Non cash items
- Changes in working investment
- Capital expenditure and disposals
- Tax
- Interest & dividends
- Cash flow before financing
- Equity and debt increases and repayments

Exercises: Producing a cash flow statement
Review of Core Company cash flow statement

Session 4

Budgets and Forecasts

- Sales & cost budgeting
- Profit versus cash operating budgets
- Variance analysis
- Profit and cash breakeven
- Forecasting funding requirements

Exercises: Producing a budget (using an Excel spreadsheet)
Calculating breakeven

Session 5

Creative Accounting

- A dozen ways to manipulate profits
- The importance of cash flow
- How to identify creative accounting

Case Studies:
Sunbeam Corporation (USA): A layman's guide to how they produced artificial profits
A brief look at what Enron did

Course Summary and Evaluation