

## Finance for the Non Finance Manager

Do you know the financial levers that add value ?

### PROGRAMME DESCRIPTION

Today, in the worst economic times since the Great Depression, it is more important than ever before that managers are able to manage cash flows and are familiar with the concepts and language of accounting. Companies and organisations can no longer leave financial metrics as the sole prerogative of the accounting and control communities. Everyone must understand them: managers must be familiar with the economics of their business and the drivers of financial performance; decision-makers are the only ones having a deep enough knowledge of the operational details of their decisions to be sure that the numbers they are given and the assumptions behind them are right.

This 4 day programme covers two key subject areas: the first concerns understanding the drivers of financial performance; the second focuses on evaluating the financial consequences of particular decisions.

#### Day I

##### Understanding the Forensic Potential of Financial Statements

A set of annual reports and accounts is the window through which skilled financial analysts gain insights into a company's operational and managerial strengths and weaknesses. Managers need some of the same skills as they are indispensable to a proper understanding of the challenges facing the company. Without a working knowledge of financial accounting and financial statement analysis a manager will not be able to evaluate the performance of his/her own company, nor be able to compare it with that of competitors.

- Financial accounting revisited;
- Differences between and respective importance of the main financial statements;
- Forensic analysis of financial statements using ratios.

#### Day II

##### Using today's numbers to plan the future

- Modelling the financial future of participants' own companies using Excel-based spreadsheets;
- Squeezing cash from tighter management of working capital;
- Obsession with earnings per share and common massaging tricks used to achieve this.

##### Accounting concepts and language of decision-making

If decision-makers do not ask the right questions of the accounting and control communities, it is unlikely they will get the right answers. The reasons are simple: regular accounting information is based on assumptions that do not apply to

### PRACTICAL INFORMATION

Programmes will be held for 4 consecutive days on the CEDEP campus in Fontainebleau, France on:

- February 14-17, 2011

#### COSTS:

The tuition fee is €2,735€. Full-board accommodation on the Fontainebleau campus costs €165 per day.

### WHO SHOULD ENROLL?

The programme is designed for Managers with significant profit or cost responsibilities

### FOR MORE INFORMATION

Email Kate Chauviré at: [chauvire@cedep.fr](mailto:chauvire@cedep.fr)

### ABOUT THE FACULTY

#### Deigan Morris & Niall Lothian

Deigan Morris and Niall Lothian have been active in executive education over many years, for many companies, on all continents. Deigan is Emeritus Professor of Accounting and Control at INSEAD. Niall is a past President of the Institute of Chartered Accountants of Scotland and a Visiting Professor at INSEAD for over twenty-five years. Both have worked extensively with Cedep's member companies. Their consulting activities have taken them into many multinational companies, allowing them to see at first-hand the difficulties companies have in producing reliable numbers and the trouble managers have in using them.

decisions; and while most decisions fall into easily recognisable categories (pricing, product line, outsourcing, etc), this does not mean that we can use standard data. Every decision is unique to some extent or other and so standard data must be adjusted accordingly.

- Similarities and differences between data for reporting and for decisions;
- Accounting data for different categories of recurring decisions;
- Questions to ask the accounting and control communities.

### Day III

#### Accounting concepts and language for allocating indirect costs

Regular financial reports embody rules for allocating indirect costs to customer facing parts of the organisation (profit centres) and to products. The purpose is to show where the profits are being generated. These reports serve many useful purposes; decision-making is not one of them. The numbers for organisational units and products must be reworked if decisions are under consideration.

- Rules and categories for correct allocations.

#### Modelling and managing the costs of complexity

Organisations have become vastly more complex since their creation at the start of the industrial revolution. Cost systems must capture enough of this complexity to make sensible decisions possible. This is the domain of Activity Based Costing [ABC]. Besides providing new insights into the profitability of products, ABC is also being used to measure the profitability of customers, distribution channels and market segments.

- Introduction to Activity-Based Costing;
- Examples of ABC in different industries.
- Customer profitability
- Time-Driven Activity-Based Costing

### Day IV

#### Understanding the time value of money

Many companies destroy value through poor capital investment decisions. There are tools and techniques for minimising these risks:

- Introduction to the principles of valuation using discounted cash flows to recognise the time value of money;
- Calculation and use of NPV and IRR: theory and practice.

#### Measuring performance with the balanced scorecard

Performance has traditionally been measured and reported in terms of accounting numbers and ad hoc collections of non-financial key performance indicators. Neither is entirely satisfactory on its own. Combining and reconfiguring them provides a much more powerful managerial tool, or management system, as the authors, Kaplan and Norton, describe their invention.

- Introduction to the balanced scorecard [BSC];
- Developing and implementing BSCs;
- Example drawn from financial services sector.

### KEY TOPICS

- Understanding the Forensic Potential of Financial Statements
- Using today's numbers to plan the future
- Accounting concepts and language of decision-making
- Accounting concepts and language for allocating indirect costs
- Modelling and managing the costs of complexity
- Understanding the time value of money
- Measuring performance with the balanced scorecard

#### Participant benefits:

- Provides knowledge and confidence to use accounting information in assessing competitive advantage and financial performance
- Skills that can be applied immediately to their own company and their competitors.
- Insights into the challenges facing their own companies.
- Ability, in conjunction with accounting experts, to refine the analysis of business decisions.
- Understand the limits to usefulness of accounting information they receive.

#### Company benefits:

- Reappraisal of the business model as reflected in the financial statements.
- Increased awareness of the major challenges facing the company.
- Emphasis on facts for the diagnosis of problems and justification of decisions.
- Immediate payback through better analysis and improved decision-making.