

Financial training for non financial staff

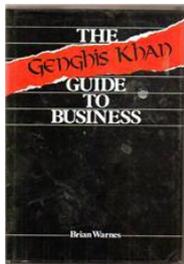


The financial training specialists

Book reviews

A good training library is an asset in any organisation. Here are some financial books you may want to include in your library. Several of these are in the Management Pocketbook series. This is an excellent collection of short introductions to subjects – their brevity being both a strength and a weakness. We have recommended 7 of these books as a cost effective backbone to the finance section of your library.

The Genghis Khan Guide to Business



The author is an accountant who spent much of his career nursing stricken companies back to financial health. Although written by an accountant, it is jargon free, and highly readable. It is packed with practical, real life ideas and illustrations, making it easily understandable even when dealing with advanced concepts. An excellent book on finance for non financial people!

The main focus of the book is on product profitability and positive cashflow. It pays much attention to breakeven – the point at which the profitability of sales covers the business overheads. Chapters 3 to 5 combine gross profit and breakeven to look at vulnerable and safe companies.

Chapters 6 to 9 then go on to look at cashflow – the biggest killer of businesses.

Chapters 12 to 14 look at the concept of value added. This is a powerful business tool to learn.

Volume 2 of the book – *The Cashflow Handbook* allows you to apply the concepts of volume 1 to two real life case histories.

If you only buy one book on finance, I strongly recommend this one. Not only is it an excellent book for the financial novice, it is also packed with both simple and advanced methods of achieving financial success, and is a book to come back to again and again.

By Brian Warnes

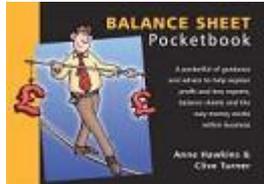
Published by Osmosis Publications, ISBN 0-9509432-0-7

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Balance Sheet



This useful little book starts off with a business finance model: where money in business comes from, and what it is used for (buying equipment and financing the production process – stock, WIP and debtors).

Then it adds the summary of production to this model (sales less costs).

From this model the Balance Sheet and Profit and Loss account are explained in detail. If you want to know more about how these two documents work, this is the book for you.

Finally, in the appendix there is a good summary of financial jargon.

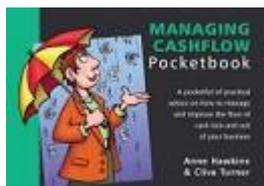
There are also a couple of useful little sections: one on capital expenditure and revenue expenditure, and one on depreciation.

By Anne Hawkins & Clive Turner

Published by Management Pocketbooks, ISBN 978-1-870471-32-9

www.pocketbook.co.uk

Managing Cashflow



All business decisions affect the movement of cash, one way or another, as The Managing Cashflow Pocketbook clearly demonstrates. It stresses the importance of proper cash management (by all managers!) and how this impacts on the running of a business.

It looks at how cash and profit differ, and how they can be reconciled (the cashflow statement).

Then it highlights how a growing business consumes cash: if the business doubles in size, the working capital is also likely to double – to the detriment of the bank account!

The main strength of the book is a good section on managing working capital. This begins by looking at the risks of holding working capital, and how much working capital is required within a business. Then it examines detailed ways of reducing stocks of raw materials and finished goods, work in progress and debtors, together with ways of working in partnership with suppliers to improve working capital.

Two of the appendices look at cashflow jargon and liquidity ratios.

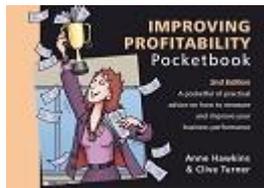
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By Anne Hawkins & Clive Turner
Published by Management Pocketbooks, ISBN 1-870471-33-4
www.pocketbook.co.uk

Improving profitability



This book focuses on the profit measure *Return on Capital Employed (ROCE)*. This is calculated as: profit as a percentage of the investment in the business. It is an important measure as it shows how efficient the business is at making profits from its assets. It is similar to the “APR” that banks publicise to show the returns you receive on their bank accounts.

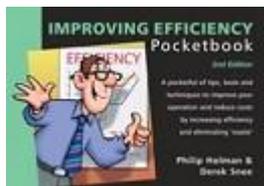
Having explained the ratio the book looks at how the business can improve this measure: by improving profits, and by achieving the same results with a lower investment. It provides an excellent checklist for the health of your business or your department.

There is an excellent section on investment appraisal, looking at payback, net present value, and internal rate of return.

There is also a section looking at the relationship between price, volume and profit, and the effect on the business of changing the price.

By Anne Hawkins & Clive Turner
Published by Management Pocketbooks, ISBN 1-870471-44-X
www.pocketbook.co.uk

Improving efficiency



This book uses a 6 step approach to improving efficiency:

- set the right objectives
- understand your operations
- improve your work processing
- increase capacity
- continuously improve
- check customer perception

It is a very commonsense book, recognising that needs differ radically in different businesses.

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Sections 2 and 3 look at ways of viewing and mapping your organisation, with practical ways of improving the efficiency of processes.

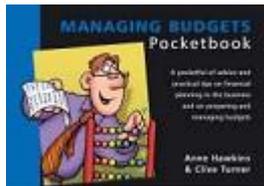
The final sections look at ways of forecasting demand and matching it to capacity, the need for continuous improvement, and the importance of keeping the purpose of business (the customer) in focus at all times.

By Philip Holman & Derek Snee

Published by Management Pocketbooks, ISBN 978-1-903776-85-8

www.pocketbook.co.uk

Managing Budgets



This book starts off by looking at why we need to plan within business, and then puts budgeting into the wider context of business planning.

The section on revenue budgets then looks at the “eight golden rules” of budgeting, and then establishes an input/process/output approach to budgeting. This is the same approach as used in the *Improving Efficiency* pocketbook, so read these two books together to establish ways of refining the budget.

This section then concludes by looking at how to monitor and control budgets, focussing on analysing variances, and communicating.

There is also a useful section on capital budgets.

The final section is about product costing, looking at costing systems, direct costs, allocated and apportioned costs, and how costs are absorbed into hourly rates. This section encourages an understanding of these systems, but also encourages you to challenge the system where appropriate. Finally, the section looks at “make or buy” decisions, and minimum order quantities.

The second appendix looks at how different cost centre structures used alongside absorption costing (hourly rates) can produce different costs for the same product. The example is quite numerical and theoretical, but is useful to work through and understand, as it will throw light onto how hourly rates might work in your organisation.

By Anne Hawkins & Clive Turner

Published by Management Pocketbooks, ISBN 1-870471-34-2

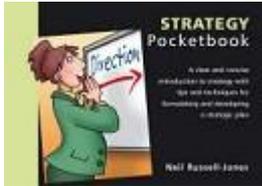
www.pocketbook.co.uk

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Strategy



This book sets out to explain the basics of strategy: the key components of a strategy; how to approach setting and developing a strategy; and some of the strategic tools that can be used.

It looks at what a strategy does, and some of the terms surrounding it.

Then it differentiates between vision and mission, and corporate and competitive strategy (organisational and business unit strategy). It examines the strategic considerations and questions at each level, then looks in more detail at the factors shaping competitive strategy.

Section 2 is about stakeholders – who they are, what they want, how important they are, and how this affects the strategy.

Section 3 looks at the analysis process of setting a competitive strategy, and section 4 looks at the tools that will help the analysis. The tools include SWOT, PEST, Porter's 5 forces, Ansoff's 5 turbulence levels, scenario analysis, the Boston matrix, core competencies, etc. You've heard of them all – here's your chance to understand what they all are!

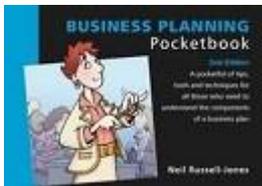
The final section contains tips – about risks, pitfalls and critical success factors.

By Neil Russell-Jones

Published by Management Pocketbooks, ISBN 978-1-903776-13-1

www.pocketbook.co.uk

Business planning



The introduction shows how business plans fit between strategy and budgets (both the subjects of other "Pocketbooks").

Section 1 looks at planning theory – what planning is, why we need to plan, who the audience for the plan might be, and the planning cycle.

Then it looks at the elements of a plan, and different planning styles – informal, numbers based, or scenario based.

Section 2 goes through the step by step process of producing a plan.

Section 3 is about practical planning, beginning with the structure, presentation and communication of a plan, but also looking at risks, contingencies and disaster recovery. It also covers some useful tools and planning tips.

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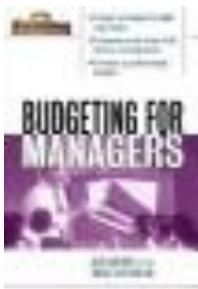
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By Neil Russell-Jones

Published by Management Pocketbooks, ISBN 978-1-906610-13-5

www.pocketbook.co.uk

Budgeting for Managers



A good, sensible book about budgeting. It won't keep you reading until the early hours, but it does cover the process of setting, negotiating and managing a budget. If you want further help with budgeting, this is the book for you.

Chapters that make this book out of the ordinary include the following.

Chapter 3 looks at some of the historic information you may need to collect before the budgeting process begins.

Chapter 7 looks at how to sell your budget proposal to the accountants.

Chapter 10 looks at the people resource issues arising out of the budget.

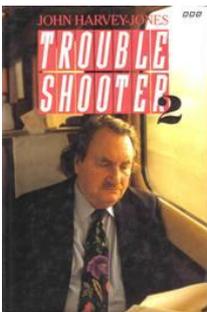
If you want to buy a book on budgeting, you could do worse than this one.

By Sid Kemp & Eric Dunbar

Published by Briefcase Books, ISBN 0-07-139133-9

www.briefcasebooks.com

Troubleshooter



Two books of the popular TV series where John Harvey Jones (ex director of ICI) visits various companies in trouble, asks lots of questions, and makes suggestions that solve all their problems. Well, nearly!

He applies the principles of managing profit and cashflow in an interesting, readable book. If you read the book after our courses you will probably see where many of his questions are coming from, and why he comes up with the advice that he finally gives.

It is also enlightening to see how the people issues interact with the financial issues within business.

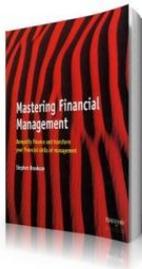
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Published by BBC Books, ISBN 0-563-36009-7

Mastering financial management



This is a book written by an accountant, in plain easy to understand English! Its main focus is on understanding the accounts, and using the information contained in accounts to help make decisions.

Chapter 1 looks at the context within which accounts are prepared, and the contents of the accounts.

Chapter 2 is all about using ratios to analyse the accounts and assess how well the underlying business is doing.

Chapters 3 and 4 provide more information about the numbers analysed in chapter 2. Chapter 3 is a very useful chapter on how to read and use the business section of the Financial Times. Chapter 4 looks at various accounting principles and what to look for in the accounting policies. The section on accounting principles looks at things like why leased assets appear in the company accounts (even though the company doesn't own them), depreciation issues, pensions, commitments and contingent liabilities. This is a very useful chapter if you want to become expert at understanding accounts.

Chapter 5 is all about setting and managing a budget.

Chapter 6 looks at how you might want to use your accounts to raise questions about your own business. It looks at a number of issues including transfer pricing, profit centres, hourly rates, as well as what costs to consider when making decisions. This is a very useful chapter, and every manager worth their salt should be comfortable with using financial information in these ways. However, its emphasis is on using financial data to make decisions, not about changing what we do in order to improve financial performance. Being comfortable with connecting financial data to decisions in both directions is important in a good manager!

The book concludes with chapter 7 which focuses on investment appraisal.

By Stephen Brookson

Published by Thorogood, ISBN 1-854180-67-3

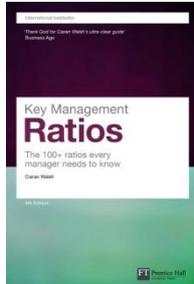
www.thorogoodpublishing.co.uk

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Key management ratios



This seems a daunting book at first sight, packed full of numbers. There is a lot here though, so it is worth persevering.

Part 1 builds the foundations and reviews the contents of the accounts, as a basis for analysing them.

Part 2 examines the ratios relevant to analysing the Profit & Loss account, and part 3 looks at the ratios we would analyse when assessing the liquidity (or cashflow) of a company. These ratios are more relevant to Balance Sheet analysis.

With all the ratios the book clearly states how to calculate them, and outlines some of their strengths and shortcomings. It also shows what range of values we might expect for each ratio in the UK, and how the average value might in different countries.

Part 4 looks at ratios we might use as shareholders when analysing the performance of our share portfolio. This includes measures like P/E ratio and yield, and is a different set of measures to those used by the managers of the business.

Part 5 covers a miscellany of issues. This includes investment appraisal, and the concepts of contribution and break-even. There is a very interesting chapter on the integrity of accounts, which looks at how a set of accounts could be falsified, and the clues that will highlight the falsification.

Altogether a useful book to have on the bookshelf if you have to assess the financial performance of other companies.

By Ciaran Walsh

Published by Prentice Hall, ISBN 0-273-70731-0

www.pearson-books.co.uk

Contact us at: alex@attainmenttraining.co.uk, or telephone: 0121 276 0040