DOC — 25 JUNE 2021 FRIDAY
TIME — 10 AM TO 11 AM (3rd forward)
FOR MBA SEM-1
SUBJECT : MB 104 AFA, UNIT 5
TOPIC : FINANCIAL INTELLIGENCE
: RELEVANCE OF FI

DMA

Many manager do not understand their companies' numbers, numbers actually a language of business, and every manager should how to read the income and financial statement and how to increase the numbers.

The one thing every organization has in common in numbers are tabulated, analyzed and reported

Every person with organization (TOP) should understand the basic principles of the "art of finance"

financially intelligent managers are familiar with basic business accounting terminology. They can read an income statement, balance sheet and cash flow statement. They know the difference between profit & cash. They can use ratio and return on investment (ROI analysis) to help in their understanding of the business and the decision they make.

financially intelligent executives know how to question the number crunchers when the figures don't look right. FI accountants try to match their estimates

What Relevance with financial intelligence

with reality, but that is not easy.
there is lot of question
for example —
when is a sale a sale?
If Sale is made when you receive payment for it?

Similarly, If you write a new product in Jan and introduce it to your client in feb; the time lag is very important, your accountant must justify how much of your pay to charge to the cost of R&D or to the cost of product, and how much to accrue in January Vs feb.

The Relevant matters are very important to boost the financial intelligence.

- Depreciation
- Income statement
- Balance sheet
- Cash flow Statement
- Ratio analysis — Profitability, leverage liquidity, Efficiency

FINANCIAL INTELLIGENCE

A manager's guide to knowing what the numbers really mean.

Under this topic it emerge the several knowledge relating to Accountancy, management,
The main focuses on

- Leadership & Management
- Strategy
- Sale & Marketing
- Finance
- Human Resources
- IT, Product & Logistics
- Small Business, Industries, Global business
- Career & self Development

The income statement shows a firm profitability over a set time period.
These reports [known as P&L A/C] measure profit or lack of profit for the whole company.

Everybody take interest ~~to~~ know what profit earned by the company — They ~~know~~ want to know the numbers — "how much". It may real or estimate —
but one thing is always true that "Profit is always an estimate — and you can't spend estimates!"

A Balance Sheet reflects what a company owns, owes and is worth, or assets, liabilities and owners' equity.
It is just like a Libra (R and L) and balance must be ~~as this~~ at end of financial year.

B/S answers these important questions.

- "Is the company solvent" — More assets than liabilities means equity is positive
- "Can the company pay its bills" — Short term assets should always cover short term liabilities.
- "Has owners' equity been growing overtime" Comparing several years worth of balance sheet will indicate a firm's progress.

Profit and Cash are not the same thing. You earn profit when you make a sale but you could wait 30 or more days for a cash from the sale. Ideally, cash flow will eventually match net profit, but not ~~exactly~~ always.

Cash represent real money, cash flow statement is a summary and straight forward — Cash coming in a positive number, cash going out is a negative one and ~~[illegible]~~ Net cash is simply the sum of the two.

If net cash more & more earn from anything to do — you are genius & intelligent & finally analysis & interpretation for future course of action — it mean Ratio analysis

Ratio analysis

Ratio show you how numbers relate to each other. Managers typically look at 4 groups of Ratio analysis.

Liquidity : It tell us how well firms can meet their obligations. If it is less one — a firm risks running out of money to pay its expenditure. Where a ratio that is too high means a "company is sitting on cash"

Efficiency :— Everything is OK & healthy company's efficiency automatically improves. A high Days sale outstanding (Time) indicates a problem in your collections. Reducing DSO rate adds cash to coffers.

Profitability ; It tell us gross, operating and net profit. It gives an idea of how well a business generates profits. Dividing net profits by total assets or total equity gives you the return on assets or equity (ROA or ROE) which help show how well a firm is using its resources.

Leverage : Another word for Debt, Leverage allows companies to grow. Operating leverage show the relationship between firm's variable and fixed costs; financial leverage indicates how much

debt finances a company's assets.
A Debt to equity ratio can vary on business size & industry but most companies ~~have~~ more debt than equity.

Similarly. the concept of WC — A working capital cycle begins with cash, which the firm uses to buy raw materials, it converts those in product and inventory then, once it makes a sale, it creates a receivable from a client, which eventually becomes cash.

The above discussion, - Just like a ~~sea~~ ~~sessions~~ training session you become a financial intelligence