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TOPIC : SCOPE OF Financial Intelligence

Financial intelligence is the knowledge and skills gained from understanding finance and accounting principles in the business world. Although a very new term, financial intelligence has its roots in organizational development research, mostly in the field of employee participation. FI has emerged as a best practice and core competency in many organizations leading to improved financial results, skill and morale and reduced employee turnover. Many enterprises include financial intelligence programmes in their leadership development curriculum. FI is not an innate skill, rather it is a learned set of skills that can be developed at all levels.

Scope of FI

The two various areas of understanding that make up financial intelligence are:

Understanding the foundations.

Financial intelligence requires an understanding of the basics of financial measurement including the income statement, the balance sheet, and the cash flow statement it also requires knowing the difference between cash and profit and why a balance sheet balances.

Understanding the art

Finance and accounting are an art as well as a science. The two disciplines must try to quantify what cannot always be quantified and so must rely on rules, estimates and assumptions.

Financial Intelligence ensures people are able to identify where the artful aspects of finance have been applied to numbers, and

Knowhow. applying them differently might lead to different conclusions

Understanding Analysis

FINIT includes the ability to analyze the numbers in greater depth.

This includes being able to calculate profitability, leverage, liquidity and efficiency ratios and understanding the meaning of the results ~~one~~.

Conducting ROI analysis & interpreting the results are also part of FINIT.

Understanding the big picture

Financial intelligence also means being able to understand a business's financial result in context — that is, ~~frame~~ within the framework of the big picture. Factors such as the economy, the competitive environment, environment, regulation and changing customer needs and expectations as well as new technologies all affect how the

numbers are interpreted.

Financial intelligence is not just theoretical aspect, not just book learning. It also requires practice and real world application. In the corporate world, managers can display financial intelligence by speaking the language, that is, asking questions about the numbers when something doesn't make sense, reviewing financial reports and using the information to understand the company's strength and weakness, using Return on Investment, working capital management, and ratio analysis to make decisions, and identifying where the art of finance has been applied.

In 1954, Peter F. Drucker, in his groundbreaking book, *The Practice of Management*, wrote the following.

"Should know: how his work relates to the work of the whole. He should know what he contributes