



Finance  
for Non-Finance Managers  
Courses Overview

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# Finance for non-finance manager programmes

## Introduction

The basic aim of our programmes is to provide managers with the core skills they need to analyse and interpret accounts, create budgets and plans and evaluate projects. We take an holistic approach, examining the forces that shape the “numbers” and exploring the impact of different management decisions on the financial health of the organisation. In particular, we stress the importance of intangible performance drivers – brand, relationships, skills and knowledge – critical assets that do not appear on the balance sheet and yet in most organisations constitute most of the value: financial analysis should reflect the real world.

The programmes thus combine traditional finance with new approaches associated with value management and economic profit. Managers gain a much broader perspective and a more realistic view of business performance. As a result, managers will be more confident and better able to make decisions that increase the value of the company.

Happy Atom offers two “base”<sup>1</sup> finance programmes:

- finance for middle and senior managers
- finance for managers

Outlines are provided for each of these programmes. First though, a brief overview of Happy Atom’ distinctive approach.

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<sup>1</sup> In other words, these programmes are the starting points. Most of our programmes are modified to meet the specific requirements of our clients.

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# Middle and Senior Management Finance Programme

## Overview

1. Financial statements & sensitivity modelling
2. Financial performance analysis
  - 2.1 Profitability ratios
  - 2.2 Financial status ratios
  - 2.3 Financial management ratios
  - 2.4 Resource management ratios
  - 2.5 Performance drivers and the balanced scorecard
3. Value Management
4. Activity based costing (abc) – an overview
5. Project finance
6. Business planning, budgeting and forecasting
7. Conclusion

## 1. Financial statements & Sensitivity Modelling

The profit and loss statement is approached from a forecasting perspective initially. This is so that managers gain a clearer understanding of what can affect the bottom-line. Instead of viewing “sales” as simply one line at the top of the statement, we build it up by considering:

- the number of customers
- groups of customers – the 80/20% rule – 80% of sales from 20% of customers
- average sales value
- promotional activity
- etc

Delegates create a spreadsheet model of a business and are able to see the impact of changes in, for example, the variables above. In this way, the profit and loss statement becomes more tangible to the delegates and not simply a column of figures. The Balance Sheet is approached in a similar manner.

Then the concept of cashflow is considered and the notion that a profitable business can fail through lack of cash. A cashflow forecast is built up by the delegates, continuing the work they did on the Profit & Loss and Balance Sheet. Using the “business model” spreadsheet that they have created, delegates gain a perspective of the whole business and how the financial statements work together.

Within this section, delegates also explore – Working Capital, Fixed and Current Assets, Creditors and Debtors. They examine different approaches to asset valuation, depreciation and off-balance sheet funding.

The concept of Value Management is introduced and the importance of intangibles is emphasised. Finally in this section, we look at how to read financial statements and see through the smoked glass of “creative” accounting.

## 2. Financial performance analysis

Ratios are used to provide an insight into how the business is performing along certain dimensions. For instance, a business may be yielding high profits, but a liquidity ratio may highlight the precarious nature of the overall position should cash inflows drop or debts be called in. Many of the results from these analyses will mean little in isolation – they are useful when compared with the results of others in your industry. Most of all they can be valuable in tracking your own trading performance and alerting you to potential danger. Each of the ratios below is discussed and exercises are undertaken to ensure full understanding. The spreadsheet model is again considered – changes are made to sales, expenses, cashflow – and delegates asked to predict the impact on ratios.

### 2.1 Profitability ratios

- Return of Investment (Capital Employed)
- Gross and Net Profit Margin
- Expenses to Income

### 2.2 Financial status ratios

- Current Ratio
- Acid Test
- Gearing
- Times Interest Earned

### 2.3 Financial management ratios

- Stock Days
- Stock Turnover
- Debtor/Creditor Days
- Fixed Asset Turnover

## 2.4 Resource management ratios

- Profit / Sales per employee ..... etc

## 2.5 Performance drivers and the balanced scorecard

Ratios are useful but they are based on accounting data. ***Accounting data is historical; it tells you where you have been and the ratios are a very crude indicator of future performance.*** The Balanced Scorecard, however, as its name suggests was a reaction to the over-reliance on purely financial measures that often present a “too-late”, distorted picture (eg no recognition of key drivers such as brand and relationships) of a business. The Balanced Scorecard does not remove financial measures and objectives – it places them at the top! However, the emphasis is on:

- identifying what drives future performance rather than historical measurement
- managing causes rather than analysing symptoms

A further difficulty with ratios is the accounting classification of expenditure and investment. Advertising is an expense and immediately reduces the profit for the period and yet its benefits may not be seen until much later and tend to be cumulative – eg KitKat is an international brand because of almost a century of advertising. Ratio analysis can induce myopia!

## 3. Value Management

... or shareholder value or economic value added. The relationship between the Balanced Scorecard performance drivers and the concept of Value Management is considered, thus closing the loop on the management and valuation of intangibles. A number of practical examples are explored, such as: how can one put a value on the impact of management training or examining the

consequences of decreasing investment in R&D or determining whether another company is a viable takeover target.

## **4. Activity based costing (abc) – an overview**

A popular approach developed over the last decade or so to help companies to think about the forces that drive the consumption of overhead resources. Non-volume allocation bases known as cost drivers are identified, giving managers a better understanding of the forces that drive overhead costs in their departments. ABC improves the allocation of overhead costs, thus enhancing the accuracy of ratio analysis!

## **5. Project finance**

This section begins with an introduction to Cost-Volume-Profit (Sensitivity) analysis and links back to the work done at the beginning of the programme on profit and loss. From here we move onto project appraisal using techniques such as:

- payback period
- discounted cashflow and IRR (and the difference)
- discounted payback
- risk analysis
- accounting versus economic profit – back to value management!
- identifying and measuring key performance drivers

## 6. Business planning, budgeting and forecasting

Many of the elements discussed above are brought together in this section and the circle that began with building up a profit and loss account (essentially a simple forecast) is completed. It introduces the concepts of resource planning and constraints and moving forward from the sales budget. Each component of the overall budget is considered: direct costs, overheads etc. Particular emphasis is given to budgetary control – how can we be sure that we are on course. Again, the traditional accounting approach is married to the new thoughts centred on the Balanced Scorecard – don't just take the temperature of the patient, monitor what the patient is actually doing.

## 7. Conclusion

A “Finance for Non-Finance Managers” programme should not be attempting to turn delegates into quasi-accountants. It should be providing them with a broad balanced financial perspective that enables them to function better as managers. This programme integrates traditional financial analysis with the latest thinking around economic profit, value management and the Balanced Scorecard. In this way, figures come alive and are imbued with significance and meaning; finance becomes a joy!

It is an interactive programme that involves delegates creating their own models and managing as if in the real world. A large proportion of time is spent outside of “lecture-style” learning.

Each delegate receives a comprehensive workbook and CD containing Microsoft Excel examples and models.

**Duration:** Two days

## Manager Finance Programme

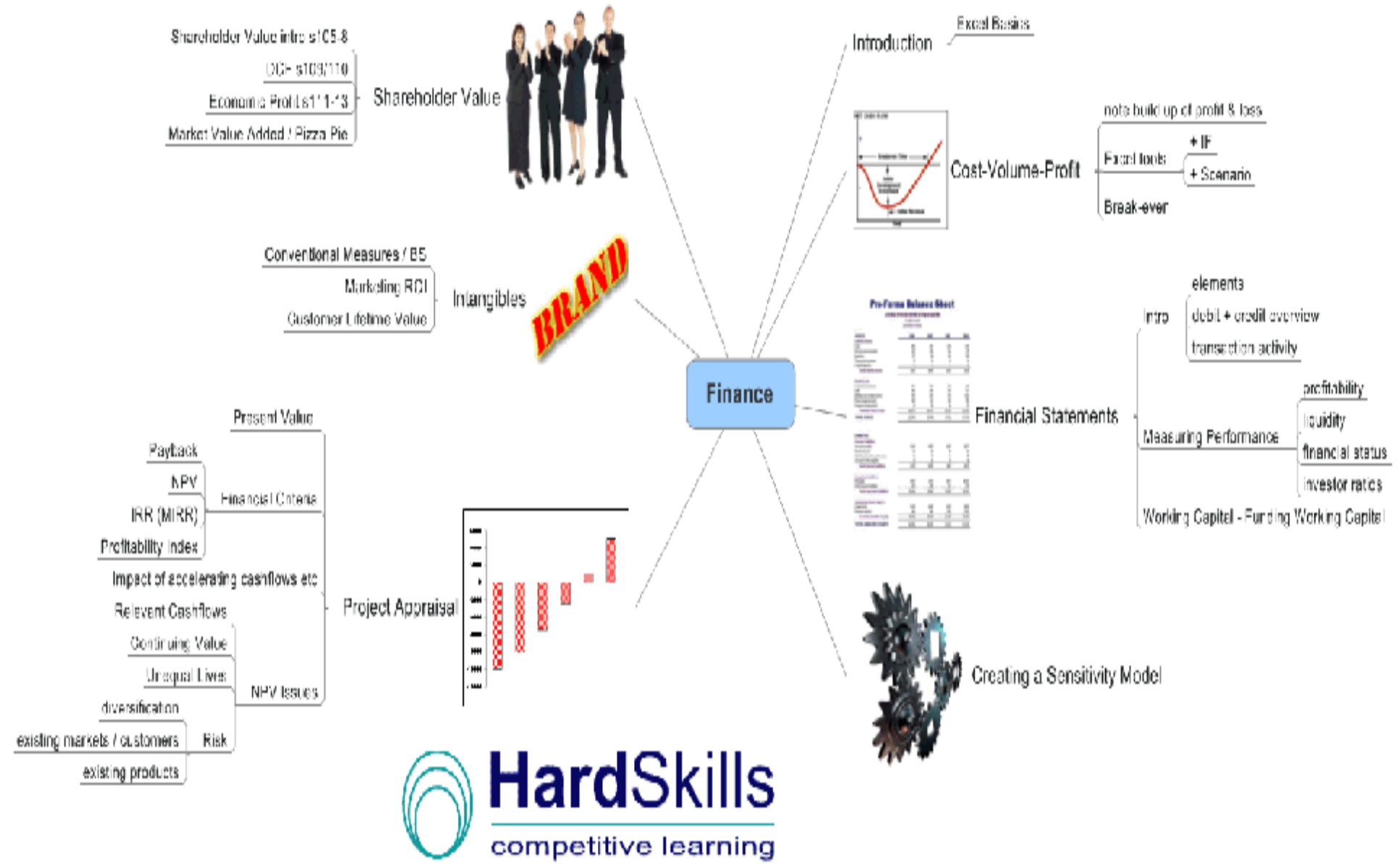
The manager programme is broadly similar to the senior manager programme but differs in:

- depth of analysis
- a greater emphasis on day-to-day rather than strategic finance

## Course Content

- Financial statements
  - Profit and Loss
  - Balance Sheet
- The importance of cashflow
- Working capital, Fixed and Current Assets, Creditors and Debtors
- Introduction to the concept of Value Management
- Analysing Financial Performance (use and abuse of ratios):
  - profitability
  - financial status
  - financial management
  - resource management
- Performance Drivers and Intangibles – understanding the importance of non-financial factors on financial performance
- Value Management and economic profit – the real measures
- The role of the Balanced Scorecard in achieving financial targets
- Overview of Activity Based Costing
- Project Finance
  - payback period
  - discounted cashflow
  - risk analysis
- Business Planning, Budgeting, Forecasting

Each delegate receives a comprehensive workbook and CD containing Microsoft Excel examples and models.



## **Paul Taylor – Lead Facilitator**

### **Qualifications & Memberships**

- MA in law, Oxford University
- MBA, City University, London
- Member of the Chartered Institute of Marketing
- Member of the Institute of Management Consultancy
- Accredited facilitator on Ericsson Leadership programme

### **Career**

- 15 years' experience as a consultant and trainer
- Marketing Manager, FTSE 100 company
- Managing Director of own import / export company

### **Experience**

- accredited facilitator on the Ericsson global leadership programme, delivering in over 10 countries to 20 different nationalities over a five year period; development and delivery of two-day finance module for Ericsson managers and strategic marketing programme
- the design (including train-the-trainer workshops) and delivery of training programmes for ntl: Telewest / Virgin Media
- strategic management courses designed and delivered for Oxford University Press
- marketing communications and marketing effectiveness courses designed and delivered for Cisco
- four-day business management programme (customer focus, strategy, finance and business planning) designed and delivered for civil engineering firm May Gurney
- finance for non-finance managers and value-based marketing courses designed and delivered for Centrica
- consultancy and project management relating to the promotion of UK Online for Business and Best Practice initiatives for the dti
- lecturing on the Chartered Institute of Marketing postgraduate diploma course