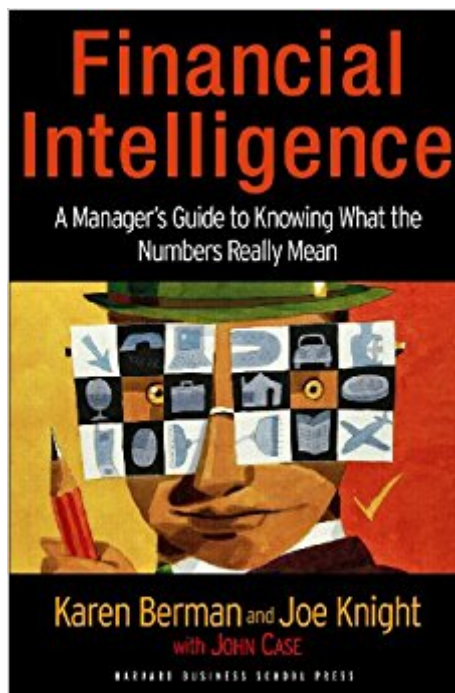




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Financial Intelligence: A Manager's Guide To Knowing What The Numbers Really Mean



Synopsis

Companies expect managers to use financial data to allocate resources and run their departments. But many managers can't read a balance sheet, wouldn't recognize a liquidity ratio, and don't know how to calculate return on investment. Worse, they don't have any idea where the numbers come from or how reliable they really are. In *Financial Intelligence*, Karen Berman and Joe Knight teach the basics of finance--but with a twist. Financial reporting, they argue, is as much art as science. Because nobody can quantify everything, accountants always rely on estimates, assumptions, and judgment calls. Savvy managers need to know how those sources of possible bias can affect the financials and that sometimes the numbers can be challenged. While providing the foundation for a deep understanding of the financial side of business, the book also arms managers with practical strategies for improving their companies' performance--strategies, such as "managing the balance sheet," that are well understood by financial professionals but rarely shared with their nonfinancial colleagues. Accessible, jargon-free, and filled with entertaining stories of real companies, *Financial Intelligence* gives nonfinancial managers the financial knowledge and confidence for their everyday work. Karen Berman and Joe Knight are the owners of the Los Angeles-based Business Literacy Institute and have trained tens of thousands of managers at many leading organizations. Co-author John Case has written several popular books on management.

Book Information

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the best, clearest guides to the numbers that I know of. • Inc. Magazine

Karen Berman and Joseph Knight are the founders of the Los Angeles-based Business Literacy Institute. They train managers at organizations such as American Express, P&G, Pacific Life, GM and Tyco International. They have been interviewed in a wide range of print media including BusinessWeek, USA Today and the LA Times. John Case has written several successful books including Open-Book Management (HarperBusiness, 1995) and The Open-Book Experience (Addison Wesley, 1998). He is a contributing writer for Inc. magazine and has written for HBR and a variety of other business publications.

I strongly recommend this book for anyone who does not come from a financial or business background -- and must understand the financial health of their employer, even if that employer is themselves. I think local SCORE chapters & SBDCs should make this book required reading for their clients. (Maybe they do - it's been a while since I was a client.) In my case, I basically understood that there were P&L statements and statements of cash flow, and I had some grasp of how to read them (and balance sheets.) But this book is helping me REALLY understand how the numbers come together. One of the best aspects of it is the inclusion of real world companies that made headlines when they crashed. This book explains what was going on related to their income statements/balance sheets/cash flow. This book also takes time to explain to you that there's Finance, and "The Art of Finance." The latter is where human beings enter the equation, so to speak, and have room to fuzz up the numbers. Depreciation, for example. And if you seize up at the thought of reading about depreciation, it's not like that. It is like sitting across the kitchen table having a favorite relative explain to you how it works, in terms you can understand. In this era of layoffs, if you are an ex-employee thinking about starting your own business, you need to read this book. (among others.) And if you are up to your eyeballs in alligators running your own business, you need to read this book.

Great books explaining everything in simple and palatable terms. The version of the books for entrepreneurs is more relevant for the startup founders.

I bought this book in order to better understand financial statements and financial ratios for investing, even though the authors wrote it more for managers and not investors. Other books I have purchased for this purpose usually fell into one of three categories: the book defined only the very basics and took such a simple approach with regards to interpreting statements it was a waste of time, the book was for professionals and so far advanced that it didn't bother to have a helpful

introduction, or the book started slowly and did a good job at the beginning but then went into overdrive with few explanations after a good introduction and I ended up getting lost."Financial Intelligence" is by far the best book from start to finish on interpreting financial statements, what they mean, and how they apply to business that I have read. In the first part of the book, the authors take the reader slowly through each type of statement (income, balance sheet, and cash flow), what the different categories mean on each sheet, and give examples of what these numbers actually mean. Sunbeam, Enron, and Worldcom are used throughout the book as examples where numbers can be fudged or hints of abuse could have been detected ahead of time. The authors continue this dissection further by showing the different financial ratios derived from the statements, what they mean, and how they can be used as indicators of how a business is doing. The last part of the book then deals with how a business actually functions and its relation to the statements; it shows how a company can show a profit but still go broke, how cash flows are "king", and what working capital is and the cycle it goes through. Again, very good examples are given during each topic so that the reader can get a good handle on the subject. The only section that seemed out of place was how managers can discount cash flows to try and determine the return on projects; this subject would have been better in a true corporate finance book. Overall, this is by far the best, simplest book I have read on financial statements and how to interpret them. The things that sets it apart from the others is the straightforward, easy writing style and the great examples given to demonstrate each accounting concept. The best thing is not only did I finally understand the statements and how they are interconnected, but I gained a better understanding of what makes a good company with respect to generating cash and managing inventories. This is a great book for beginners; if you do have trouble with it, try working the Schaum books on financial statements first and then come back.

If you don't know the difference between Income Statement vs Balance Sheet or COGS vs Operating Expense, then this book will help you to enhance your knowledge of BASIC accounting and finance. This book will not help those who have even rudimentary sophistication with finance and accounting. If you are one of those humanities/engineering type who has been thrust into managerial position and has never taken a business course in your life, then this book is a good place to start. This book will not make anyone "Financially Intelligent" nor make anyone a sophisticated financial statement analyst. This book never delves into details of accounting or finance. It doesn't require any sophistication in math except the ability to do arithmetic. You can say this book is somewhat akin to Business 101. There are no problems at the end of each chapter to solve so this isn't a problem/solutions book. Although not a bad book for beginners, my concern is

that this book may give its readers an illusion that all the golden nuggets of accounting and finance knowledge are contained in this book...hardly.

This book clearly describes how to read the main financial documents which a public company publishes about itself. In so this, it provides a great introduction to us non-accountant types about what the finance department of a company actually does. The book's descriptions were clear, and the authors took the time to describe the 'why' behind various types of financial reports. What I found really nice about this book was that the authors were able to use recent cases of corporate malfeasance (i.e. cooking the books) to highlight many of the topics they cover. This not only brings the lessons home but also makes a potential dry topic more interesting.

This book really helped me. It's been years since I read it, but I still use the info that I learnt from it. It gives you a very practical overview of how to look at balance sheets, income statements, etc. I really liked it and I find it useful in doing simple analysis of companies across industries. This book was easy to read as well

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