

# Contents

<b>Introduction</b>	<b>ix</b>
<b>1 Financial Statements</b>	<b>1</b>
<i>The Elements of Managerial Finance</i>	
Why Financial Statements?	2
The Balance Sheet	3
The Income Statement	11
The Cash Flow Statement	14
Where to Find It	18
Summing Up	19
<b>2 Finding Meaning in Financial Statements</b>	<b>21</b>
<i>A Look behind the Numbers</i>	
Ratio Analysis	22
Percentage-Format Financial Statements	30
From Financial Measures to a Balanced Scorecard	31
Summing Up	34
<b>3 Important Accounting Concepts</b>	<b>37</b>
<i>The Rules That Shape Financial Statements</i>	
Generally Accepted Accounting Principles	38
Accrual versus Cash Accounting	39
Accounting for Inventory	40
Depreciation	46
Accounting for Leases	51
Historic Cost and Its Implications	54
Cost Accounting	55
Summing Up	59

<b>4</b>	<b>Taxes</b>	<b>61</b>
	<i>Important Details You Should Know</i>	
	Taxes and the Legal Form of the Business	63
	Progressive Tax Rates	69
	Marginal Tax Rate	71
	Credits versus Deductions	72
	Tax Loss Carryback and Carryforward	73
	Summing Up	73
<b>5</b>	<b>Financing Operations and Growth</b>	<b>75</b>
	<i>Funding the Different Stages of Growth</i>	
	Start-Up Financing	76
	Financing Growth	80
	Other Forms of External Financing	85
	The Matching of Assets and Financing	86
	A Life-Cycle View of Financing	88
	Summing Up	93
<b>6</b>	<b>Money and Capital Markets</b>	<b>95</b>
	<i>Another Option for Funding Growth</i>	
	Money Markets	97
	Capital Markets	98
	Capital Market Securities	103
	Summing Up	107
<b>7</b>	<b>Budgeting</b>	<b>109</b>
	<i>Forecasting Your Company's Financial Future</i>	
	What Is Budgeting?	111
	Budget Functions	111
	Types of Budgets	115
	The Master Budget	118
	The Human Side of Budgeting	128
	Summing Up	135
<b>8</b>	<b>Practical Tools for Management Decisions</b>	<b>137</b>
	<i>Making the Numbers Work for You</i>	

Cost/Benefit Analysis	138
Accounting Return on Investment	140
Payback Period	141
Breakeven Analysis	142
Estimating Nonquantifiable Benefits and Costs	146
Tracking Performance	146
Summing Up	147
<b>9 The Time Value of Money</b>	<b>149</b>
<i>Calculating the Real Value of Your Investment</i>	
What Is Time Value?	150
Net Present Value	153
Internal Rate of Return	162
Sensitivity Analysis	165
Economic Value Added	167
Summing Up	169
<b>10 Valuation Concepts</b>	<b>171</b>
<i>Evaluating Opportunity</i>	
Asset-Based Valuations	174
Earnings-Based Valuation	177
Discounted Cash Flow Method	181
Summing Up	184
<b>Appendix: Activity-Based Budgeting</b>	<b>185</b>
<b>Notes</b>	<b>189</b>
<b>Glossary</b>	<b>191</b>
<b>For Further Reading</b>	<b>200</b>
<b>Index</b>	<b>203</b>
<b>About the Subject Adviser</b>	<b>209</b>
<b>About the Writer</b>	<b>210</b>