

Financial Empowerment



To many people, the world of finance is mysterious and intimidating. The simple mention of a profit and loss statement, balance sheet, or cash flow projection creates anxiety and a churning in the stomach.

Many people are simply not comfortable with finance and prefer to avoid it. While it may be possible to avoid finance in your personal life, or perhaps defer it to a spouse, this isn't always possible or advisable in the world of business. It is very important that small-business owners and managers understand finance since it is the root of how businesses make money.

An owner or manager who understands finance has a leg up on the competition. If you understand finance, you have the ability to analyze the structure and operations of your business and use this information to structure the company in a way that will allow the business to pay its bills, earn a profit, and maximize its financial performance.

Financial results are one of the prime scorecards by which businesses are measured. For anyone who's involved in owning or managing a business, some knowledge of its financial operations is necessary so that correct decisions can be made about its

growth and operations. This knowledge is also important so the owner or manager can understand the information prepared by the accountants and finance department.

The purpose of this book is to remove the fear of finance for entrepreneurs, small-business owners and managers. We believe that one of the reasons finance is too often viewed as something that is mysterious and complex is simply the way the material is presented. Finance books are too often written in accountant-speak and contain formula after formula to calculate anything and everything but ultimately explain nothing.

Traditional finance books are built starting with accounting and explain how transactions are booked, how they affect the balance sheet, and then how to bring these transactions forward into balance sheets and profit and loss statements.

Other finance books are written to help investors analyze a business from an investment perspective (should I invest in the business or the stock?). They typically include an explanation of financial statements and how to use ratios when analyzing a company for investment.

Finance Without Fear focuses on explaining how to understand the financial statements of a new or existing business, as well as how to use financial tools to maximize the value of the business. If you understand finance, you have the knowledge and power to create an effective and profitable business.

Who Should Read This Book

Finance Without Fear is a guide to finance for entrepreneurs, business owners, managers and board members. The book is intended to be a key resource on using financial tools to create value in a business.

The book has three main purposes:

1. To explain financial statements
2. To explain how to develop financial projections for businesses using financial statements and financial analysis tools
3. To explain how financial statements and financial statement analysis tools can be used to help a business make money

Readers of this book will most likely be interested in developing a working knowledge of finance and financial tools that can help them build and grow a business. This book is ideal for:

1. Entrepreneurs starting or growing a business
2. Managers seeking to apply financial management techniques to their business
3. Board members who need to understand the financial aspects of the business
4. Graduate and undergraduate students in management and entrepreneurial business programs

This book is not intended to be an all-encompassing financial management text but rather a guide that will explain the key elements of finance and how to use finance as a tool.

There is also a companion workbook to *Finance Without Fear*, the *Finance Without Fear Business Forecasting Workbook*, that will guide you through the development of financial projections for your business.

Structure of the Book

Finance Without Fear includes the traditional material explaining the various components of the cash flow statement, profit and loss statement and the balance sheet. This core knowledge helps the entrepreneur, business owner and manager manage a business. Beyond this core knowledge, the book will explain how financial statements and financial analysis tools can be used to help a business make money.

The structure of the book will first present the theory—the basics of finance and competitive advantage—and then apply it to the process of creating and forecasting financial statements for a business.

Finance Without Fear incorporates a series of case studies of various types of small businesses. Many existing financial-statement-analysis books focus on manufacturing companies that use traditional measurements, such as inventory and cost of goods sold. But in today's economy, many businesses aren't manufacturers but rather small professional service organizations, service businesses, and retail establishments.

The case studies in the book include a professional service organization, a retail operation and a manufacturing business. The case studies and examples emphasize the unique characteristics and financial statements of each of these types of businesses. For instance, rather than cost of goods sold, the profit and loss statements may include items such as cost of services provided, the business may have no inventory, or the accounting might be on a cash basis.

The book blends theory with these case studies and uses those examples to demonstrate how to develop and forecast financial statements for a particular type of business, as well as how to analyze a specific business within the context of other similar businesses.

Finance Without Fear is divided into four parts:

1. Part 1 (Chapters 1 to 2) introduces strategies used by businesses to make money and will introduce the sample companies we'll use as examples throughout the text.
2. Part 2 (Chapters 3 to 9) explains the content and meaning of the basic financial statements.
3. Part 3 (Chapters 10 to 15) explains how to evaluate the information on financial statements and how this information can be used to help a business make money.

4. Part 4 (Chapter 16 to 21) discusses how to build and operate a business to make money, as well as focusing on taxes, accounting, and how to find the money to start and operate your business.

We hope by the time you've finished this book the world of finance will be less mysterious and intimidating, and you'll feel empowered to take control of your business's finances.

