# FINANCIAL INTELLIGENCE FOR SUPPLY CHAIN MANAGERS

OPERATIONS AND CORPORATE FINANCIAL PERFORMANCE



## FINANCIAL INTELLIGENCE FOR SUPPLY CHAIN MANAGERS

## Financial Intelligence for Supply Chain Managers: Understand the Link between Operations and Corporate Financial Performance

#### **Table of Contents**

Contents

Acknowledgments

About the Author

Chapter 1 Introduction

What Is Important to the CEO?

Supply Chain and Operations Value Proposition

The Role of Supply Chain and Operations

Value Chain

Supply Chain and Operations Financial Impact

Value from a Different Perspective

Structure of the Book

Summary

Chapter 2 Financial Statements Overview

What Are Financial Statements?

What Are Financial Statements Used For?

A Closer Look at the Elements of Financial Statements

**Balance Sheet** 

Income Statement

Statement of Cash Flows



Relationship between Financial Statements	3
Summary	

#### Chapter 3 Financial Statement Primer Essentials

Introduction

Value of Assets

Property Example

Plant and Building Example

Equipment

Noncash Transactions

Tangible Assets and Depreciation

**Net Fixed Assets** 

Nontangible Assets and Amortization

Inventory Costing and Cost of Goods Sold

Operating Leases and Off-Balance Sheet Transactions

Net Accounts Receivable

Net Revenue

Net Credit Sales

Foreign Exchange

Revenue

**Inventory Purchases** 

Stockholders

Summary

#### Chapter 4 Ratio Analysis with Financial Statements

Benchmarking

Ratio Analysis

Caveats to Ratio Analysis

**Financial Ratios** 



#### Liquidity Ratios

**Current Ratio** 

Quick Ratio

Operating Cash Flow Ratio

#### **Profitability Ratios**

**Profit Margin** 

Operating Profit Margin Ratio

Gross Profit Margin Ratio

Basic Earnings Power Ratio

Return on Total Assets Ratio

Return on Equity Ratio

#### Valuation Ratios

Earnings per Share (EPS)

Price-to-Earnings (P/E) Ratio

Price/Cash Flow Ratio

Market/Book (M/B) Ratio

Dividend Yield

Dividend Payout Ratio

#### **Asset Management Ratios**

Inventory Turnover Ratio

Days in Inventory

Accounts Receivable Turnover Ratio

Days Sales Outstanding

Fixed Asset Turnover Ratio

Total Assets Turnover Ratio

#### Debt Management Ratios

**Debt Ratio** 

Debt-to-Equity Ratio

Times Interest Earned



Debt Service Coverage Ratio

Summary

#### Chapter 5 Company Valuation

Value

Competitive Advantage

Reorganizing Traditional Financial Statements

**NOPLAT** 

**Invested Capital** 

Return on Invested Capital

Free Cash Flow

Cost of Capital

Performance Trees

Summary

#### Chapter 6 Decision-Making Tools

Introduction

**DuPont Model** 

Extended DuPont Model

Capital Budgeting

Net Present Value

Internal Rate of Return

Payback Period

Risk and Decision Making

**Decision Trees** 

Simulation Models

Break-Even Analysis

Break-Even and Make or Buy Decisions

Real Options



Summar	y
--------	---

#### Chapter 7 Project Management

Managing Projects

Project Success and Failure

**Project Selection** 

**Project Implementation** 

**Project Completion** 

Projects and KPI Trees

Summary

### Chapter 8 Supply Chain Network Design and Location Analysis

**Business Strategy and Competition** 

Supply Chain Network Design

**Location Selection** 

Cost Behavior

Supply Chain Network Modeling

Case Example Mid-Atlantic Hospital System

Network Design Analysis

Capital Budgeting

**DuPont Model** 

Summary

#### Chapter 9 Inventory Management

How Much Inventory to Order

**Total Inventory Costs** 

When to Reorder Inventory

Inventory Reduction



Safety Stock

Just-in-Time

**Inventory Tracking** 

**Demand Forecasts** 

Financial Performance

Summary

#### Chapter 10 Sourcing and Supply Management

Why Is Sourcing and Supply Management Important

Financial

Environmental

Social

Organizational Purchasing Structure

Sourcing and Supply Management Objectives

Purchasing Strategies that Support Organizational Goals and Objectives

Supply Continuity to Support Operations

Obtain and Develop Suppliers

Reasons to Outsource

Selecting and Evaluating Suppliers

How Many Suppliers to Use

Supplier Involvement and Development

Managing the Sourcing Process Effectively and Efficiently

Supplier Location and Total Cost of Ownership

Purchase at Lowest Total Cost of Ownership

Supply Management and the Financial Connection

**DuPont Model** 

Accounts Payable Turnover

Summary



Chapter 11 Supply and Value Chain Metrics
Supply Chain and Competition
A Case of Outsourcing Production
Summary
Index

