

**American Management Association's  
Fundamentals of Finance and Accounting for Nonfinancial Managers**

***LESSON ONE***

***Learning the Basic Accounting Concepts***

- State the Accounting Equation and Describe the Relationship Among Its Components
- Explain the Generally Accepted Accounting Principles (GAAP)
- Describe Accrual-Basis Accounting
- Differentiate Between Accounting Profit and Cash Flow

***Understanding Financial Statements***

- Describe the Purpose of and Terminology Associated with the Following Financial Statements: Income Statement or Profit and Loss Statement (P&L), Balance Sheet, Statement of Retained Earnings, and Cash Flow Statement
- Prepare a Simple Set of Financial Statements
- Explain the Accounting Process from the Recording of Business Transactions to the Preparation of Financial Statements
- Describe How Various Business Transactions Affect the Financial Statements

***LESSON TWO***

***Reviewing and Evaluating an Annual Report***

- Describe the Key Components of an Annual Report
- Explain the Importance of Notes in Evaluating Financial Statements
- Describe an External Auditor's Role
- Explain the Significance of the Opinion Letter

***Calculating Financial Ratios***

- Calculate the Key Financial Ratios Using the Financial Statements
- Use Financial Ratios to Evaluate an Organization's Leverage and Profitability, Competitive Performance and Performance Compared with Budgeted Goals
- Use the DuPont Formula to Evaluate Management Performance
- Use the Concept of Economic Value Added (EVA<sup>®</sup>) and Cash Flow Return on Investment (CFROI) to Determine if a Segment of an Organization Is Adding Value to the Business

## ***LESSON THREE***

### ***Calculating Financial Ratios (cont'd)***

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### ***Cost Analysis and Profit Planning***

- Differentiate Between Fixed and Variable Costs
- Help Your Organization Improve Profitability Through the Use of Break-even Analysis, Contribution Margin Analysis, and Direct Costing in Appropriate Situations
- Describe Traditional Cost Accounting and Its Limitations
- Explain the Relevance of Activity-Based Costing in Today's Business Environment

## ***LESSON FOUR***

### ***Capital Expenditure Analysis***

- Distinguish Between Capital Expenditure Budgets and Operating Budgets
- Describe the Function of the Capital Budget
- Explain the Time Value of Money
- Recognize and Apply Different Methods of Evaluating Capital Expenditures and Monitoring Project Performance

### ***Budgeting More Effectively***

- Describe the Role of Budgeting and Issues Budgets Solve
- Identify the Budgeting Process
- Identify Different Types of Budgeting Systems in Use Today
- Analyze Budgets for Different Purposes
- Recognize and Apply Different Methods of Evaluating and Monitoring Operating Performance