

SUMMARY OF FINANCE

TEAM PLAYERS

Aakirti Agrawal (16ucs002)
Aanchal Tulsiani (16ucs003)
Ayushi Gupta (16ucs052) [WK]
Mayur Varshney(16ucs103)
Nanyam Shukla(16uec066)
Paras Garg(16ucs122)

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Balance Sheet

SOURCES (Liabilities)	USAGE SIDE (Assets)
<u>Current Liabilities</u> <ul style="list-style-type: none">• A/c Payable	<u>Current Assets</u> <ul style="list-style-type: none">• A/c Receivable• Cash• Inventory
<u>Long term Liabilities</u> <ul style="list-style-type: none">• Debt - Loans, Bonds• Equity• Retained Profits	<u>Non-Current Assets</u> <ul style="list-style-type: none">• Plant & Machinery• Furniture & Fittings• Building, Land

Vertical and horizontal splits in a Balance Sheet

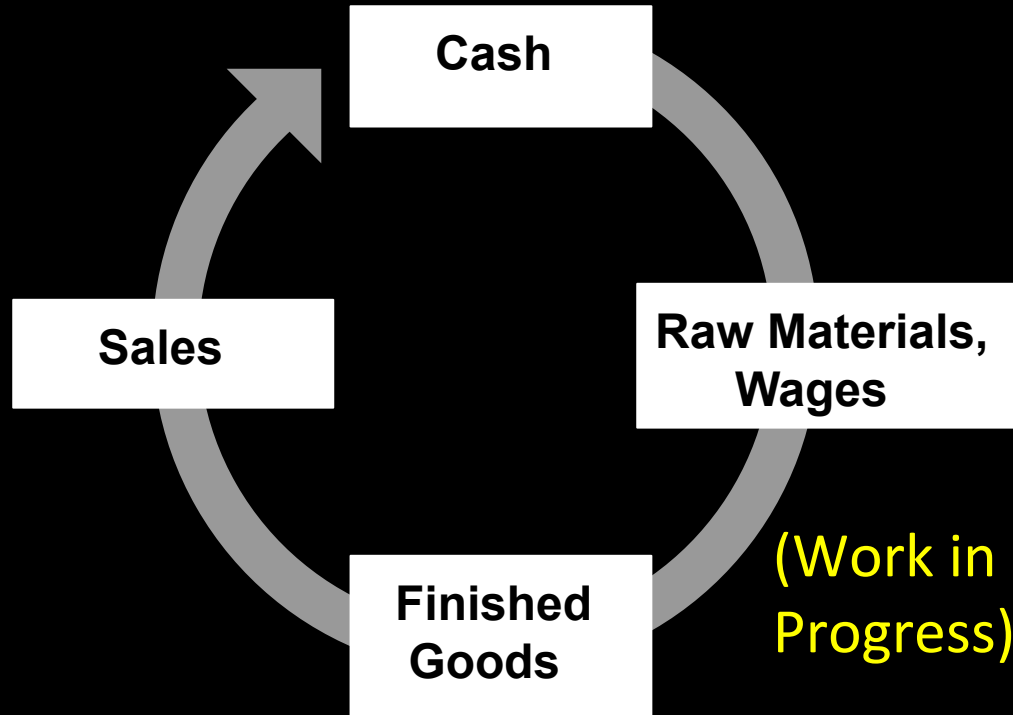
Why Balance Sheet

- Funds received
- Using funds to buy things(Machinery, Land) required to do operations.
- How funds received have been deployed is represented by a balance sheet.
- Sources side = Uses side [Balanced]

Balance Sheet

- Current Assets & Liabilities → short term (<1 year)
- Equity + retained profit = shareholders' fund or "Net worth".
- Long term liabilities → debt, equity and retained profit.
- Long term assets → machinery, land, buildings etc.

Working Capital Cycle



Revenue

- Income generated on selling products.(what we receive)
- First step into P/L statement
- Profit = Total Revenue received - running expenses
- Quality of Earning - from where the revenue comes.

Expenses

- What we give.
- 3 types -
 - **Direct** - manufacturing cost, raw material, wages
 - **Indirect** - CEO salary, Marketing cost
 - **Finance** - Interest on borrowed money, taxes

PROFIT & LOSS (Accrual Basis*)

- Need to explore the Deltability
- Deltability explored.
- Is our delta-ability in shape?
- 3 Types of Profits -
 - Gross
 - Operating
 - Net

**Accrual - recording accounting transactions for revenue when earned and expenses when incurred, even if actual cash is not given/taken.*

PROFIT & LOSS

Income Statement

+	Revenue / Income
-	Direct Expense (Raw Material) (Wages [Blue collar])
=	Gross Profit
-	Indirect Expense (Advertisement) (Salaries [White collar])
=	Operational Profit
-	Financial Expense (Interest) (Taxes)
=	Net Profit (Profit After Tax)

RATIOS

What is the need of Ratios - To see the big picture in numbers

- Ratios from Balance Sheet
 - Debt-To-Equity Ratio
 - Current Ratio
- Ratios from Profit and Loss statements
 - Margins
- Ratios from Working Capital Cycle
 - Days in Inventory
 - Days Sales Outstanding

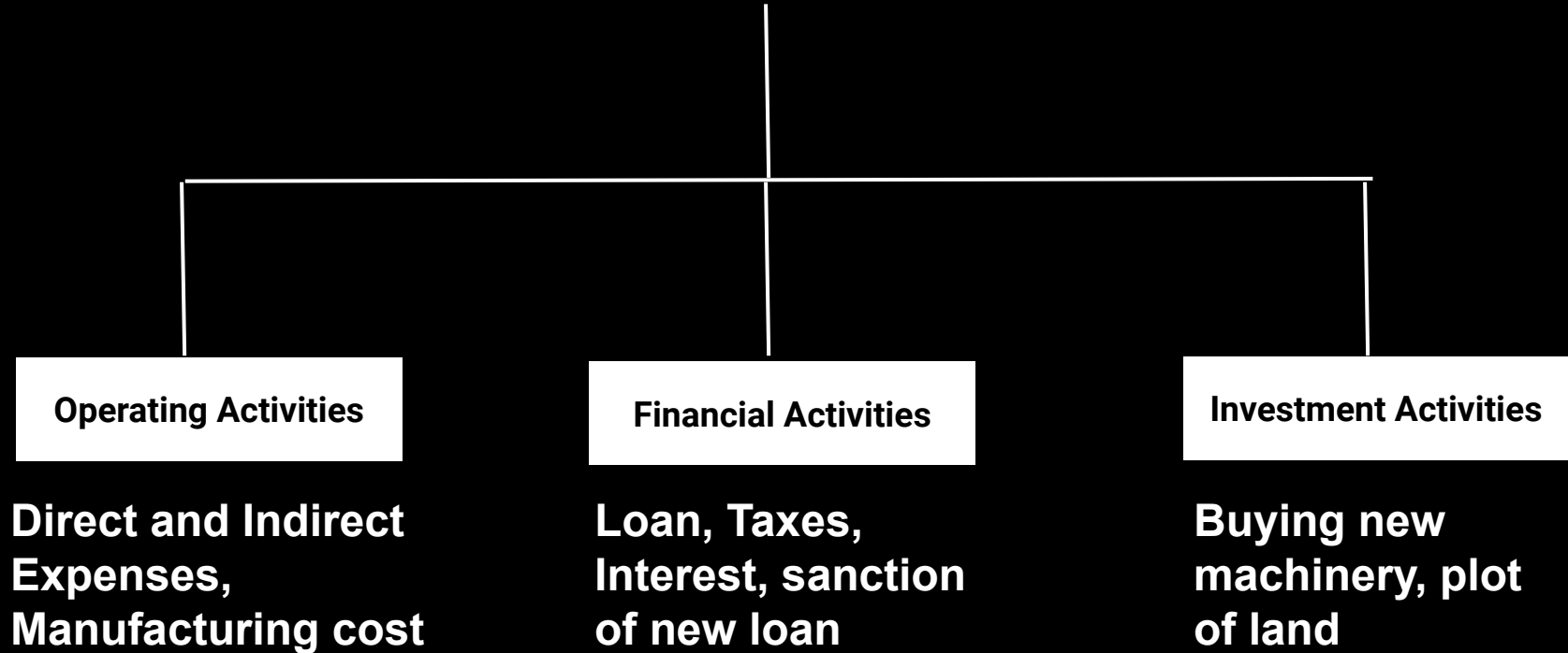
RATIOS

- Ratios from Return on Investment
 - Return on Net Worth
 - Return on Assets
- Ratios from Market
 - Earnings Per Share
 - Price to Earnings

Cash Flow Statement

- Cash does not come hand-to-hand.
- For example - If product was sold in financial year X[Balance Sheet], but payment came in financial year (X+1)[Cash flow statement]
- Statement of all **Cash inflows** and **Cash outflows**.
- **Profit \neq Cash**
- Received - Cash In; Paid - Cash Out

How does the Cash Flows?



Bringing it all together

- Now, we have all the dimensions with us.
- We as IT engineers should be able to make decisions from this information at real-time.
- We can achieve this using our technical skills like Data Science, Engineering, Analytics etc.

Stakeholders

- CEO having the knowledge of how to fly the plane(company).
- He looks like a boss, but is actually serving everybody.
- Answerable, accountable and responsible.
- Unholy Trinity → Holy Trinity

Stakeholders

- CEO has to take care of -
 - Kustomers(Passengers), Employees(Crew), Investors & Suppliers
 - Other Stakeholders like media, society, Kustomers' Kustomer, govt.
- Create delta-ability.
- If 'I' am the CEO of 'Me', stakeholders of 'Me' -
 - Family, teachers, future family, friends, colleagues

Dedicated To

You, the Future CEOs

References

<https://classroom.google.com/u/1/c/NDA5ODg1MTQxMTVa>