



Book Review

Financial Intelligence (Book Review)

(A Manager's Guide to know what the numbers really mean)

Karen Berman & Joe Knight

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Book Review by

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At the dawn of 21st Century, Financial Intelligence emerged as a corporate discipline. Greater Financial Intelligence helps people to understand what the organization is trying to achieve and how they affect results. What is the art of Finance and why it matters? Why cash is the king? How a Balance sheet reveals the most? This book attempts to review and resolve these issues. This book also attempts to examine how to calculate Return on Investment (R.O.I) and how to create a financially intelligent company?

The first section of the book clearly deals that we can't always trust the numbers. It gives a fair idea about the assumptions, estimates and rules that the accounts follow. It discusses why company increases Financial Intelligence? What the players want and what they do? These are the prominent questions answered. The second section of the book argues about the peculiarities of income statement. It focuses on the revenue, the forms of profit and cracking the code of the Income statement. The third section describes the balance sheet stating that it reveals the liabilities, equities and assets. The author has identified why the balance sheet balances and how the income statement affects the balance sheet?

The fourth section reviews about the reality check of cash. It checks profit \neq cash (or we need both?). Why cash matters and how it is the nervous system of the organization is highlighted with the tool box of the free cash flow.

Learning what the numbers are really telling you? It is the focal point of discussions in the fifth part of the book. Leverage Ratio's, Liquidity Ratio's, Efficiency Ratio's, Profitability Ratio's are defined as balancing act of company. Shareholders value

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creation is interpreted with the Investors perspective. Building blocks of the R.O.I and Nitti Gritty of figuring R.O.I is the point of the attraction for the readers in part six. The magical way of managing balance sheet with the applied Financial Intelligence is creating a leverage for the readers of the book. Economic Profit is also pulled together by assessing cost of capital.

The creation of a Financially Intelligent company is the distinguish feature of the book. Financial Literacy strategies and it's relation with corporate performance is interpreted and reviewed. Financial transparency is viewed by the author as an ultimate goal of the company.

The author interprets that Financial Intelligent managers contribute to a business health because they can make better decisions. They also understand more about why things happen and can lend a shoulder to the wheel instead of just carping about the numbers. Financial intelligence is the language of business. Every organization has numbers which need to be tabulated, analysed and reported. The art of accounting and finance is the function of using limited data to come as close as possible to an accurate description of how well a company is performing, this is a reflection of financial intelligence. It is believed that businesses perform better when the financial intelligence quotient is higher.

This book says that, of course, sharing and financials isn't enough. People have to understand them, and that usually required training. This may be why more and more companies are now including financial intelligence training as part of their educational offerings. Some of the training programs are required, some are voluntary. All focus on the idea that if employees, managers, and leaders understand how financial success is measured, the company is going to be more successful.

Implications of the book: - The book is written in a eloquent language. The application of Financial Intelligence is comprehensive. The SarbansOxlayis emerged as a reference point for greater Financial Intelligence. The book is likely to emerge as a managerial guide to know what the numbers really mean ?

Disappeared Opinions:-The book fails to review the cost centers and its implications on the company as it makes company more Financial Intelligent. Managerial implications of the numbers, decision making issues and illustrative problems are the disappeared views in the book. Corporate Valuation – ultimate goals of the numbers is the missing link in the book.

The book can act as a double edge sword for the readers for understanding financial numbers and creating Financially Intelligent Company.