

CPA IN A DAY:

THE BUSINESS ACUMEN YOU ACTUALLY NEED



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Did you know that “business acumen” has emerged as a ***“vehicle for improving financial performance and leadership development?”***

An understanding of accounting and finance is essential for those who want to take on more responsibility at their organization and continue to advance their career. Whether your focus is the entire business, an individual product line, or a single department or cost center, knowing basic accounting and finance terms and standards are key to making good decisions and evaluating the decisions being made around you.

This means it’s time for you to learn the basics of your organization’s financial statements, including the income statement, balance sheet, and cash flow statement, and how to analyze those statements using key financial ratios. This will provide you the confidence you need in your current position, aid in the development of necessary leadership skills to advance, and overall, allow you to contribute to the achievement of financial objectives at your organization.

Financial metrics are also critical for communication with those external to the organization – shareholders, financial institutions, customers, suppliers, and regulators. Understanding the professional ethics and conduct standards of financial professionals is essential to fulfill responsibilities to these, and all, stakeholders.

Financial professionals must be trusted advisors. Trust is earned through competence, acting in the public (not self) interest, and performing with the highest sense of integrity. As, sadly, these principles are not always upheld, we will also spend some time dissecting financial scandals in recent times to provide you with the skills to detect common accounting misdeeds such as inflated revenues and understated costs.

You may not be a CPA, but you will leave with the business acumen you ***actually*** need to become a knowledgeable, trusted “financial” decision-maker, advisor, and leader!

After this learning event, attendees will know how to:

- *Speak the language of business – finance and accounting.*
- *Read basic financial statements and utilize in decision making.*
- *Use keenness and quickness to understand and assess business situations.*
- *Uphold the ethics and conduct standards of a CPA and The Everyday Ethicist™.*
- *Recognize and guard against financial shenanigans.*

EXERCISE 1: “Expense Analysis” Acumen (in a Day!)



Fixed expenses are expenses that generally do not vary as revenue varies.

Variable expenses are expenses that generally vary as revenue varies.

Business Expenses

List expenses in your business that **generally do not vary** (i.e., fixed) as revenue varies.

List expenses in your business that **generally vary** (i.e., variable) as revenue varies.

EXERCISE 1 (CONT.): “Expense Analysis” Acumen (in a Day!)



Personal / Household Expenses

List personal / household expenses that ***generally do not vary*** (i.e., are fixed) as your household income varies (at least in the short-term).

List personal / household expenses that ***generally vary*** as your household income varies (sometimes referred to discretionary spending).

REFERENCE 1: 2020 Income Statement Comparison

<i>(All Amounts in Billions\$)</i>	Apple (AAPL)	Ford (F)	Walmart (WMT)	Facebook (FB)	Uber (UBER)	AMC (AMC)
Revenue from Goods and Services Sold	274.2	127.1	524.0	86.0	11.1	1.2
Cost of Goods Sold (<i>Variable Costs</i>)	170.1	114.4	394.6	16.7	7.2	1.8
Gross Margin	104.1	12.7	129.4	69.3	3.9	-0.6
Gross Margin %	38.0%	10.0%	24.7%	80.6%	35.1%	-50.0%
Sales, General, and Admin Expense (SGA) (<i>Fixed Costs</i>)	38.7	17.3	107.9	36.6	8.3	1.0
SGA as a % of Revenue	14.1%	13.6%	20.6%	42.6%	74.8%	83.3%
<i>Breakeven Analysis Acumen Exercise!</i>	_____	_____	436.9	_____	_____	_____
Earnings Before Interest and Taxes (EBIT)	65.4	-4.6	21.5	32.7	-4.4	-1.6
Unusual Adjustments (One-time)	N/A	5.1	1.1	0.5	-2.4	-2.4
Interest	2.9	-1.6	-2.4	0	-0.1	-0.5
Other Income/Expenses	-1.1	0	0	0	0	0
Earnings before Taxes (EBT)	67.2	-1.1	20.2	33.2	-6.9	-4.5
Taxes	9.7	0.2	4.9	4	-0.2	0
Net Income (NI)	57.5	-1.3	15.3	29.2	-6.7	-4.5
NI as a % of Revenue (NI/Revenue)	21.0%	-1.0%	2.9%	34.0%	-60.4%	-375.0%
Return on Assets (NI/Total Assets)	17.8%	-0.5%	6.5%	18.3%	-20.7%	-43.7%

Cost of Goods Sold - The (typically variable) direct cost of labor and material to provide goods and services.

SGA - The (typically fixed) overhead costs including sales and marketing expenses, rent, and utilities, and administrative functions (HR, legal, accounting, etc.).

Note: The items in red on pages 5-7 will be discussed in exercises.

REFERENCE 2: 2020 Balance Sheet Comparison

<i>(All Amounts in Billions\$)</i>	Apple (AAPL)	Ford (F)	Walmart (WMT)	Facebook (FB)	Uber (UBER)	AMC (AMC)
Assets						
Cash	91.0	50.0	9.5	62.2	7.1	0.3
Accounts Receivable	37.4	52.6	6.3	11.3	1.5	0.1
Inventory	4.1	10.8	44.4	0	0	0
Other Current Assets	11.2	3.4	1.6	2.1	1.3	0
Plant, Property, and Equipment	45.3	66.3	127.0	55.0	3.1	6.9
Investments	102.6	7.3	5.4	6.4	11.6	0.2
Goodwill	0	0.3	36.3	19.7	7.7	2.7
Other assets	32.2	62.6	4.0	2.6	0	0.1
Total Assets	323.8	253.3	234.5	159.3	32.3	10.3
Liabilities						
Accounts Payable	42.3	22.2	47.0	2.4	0.2	0.3
Short Term Debt	15.2	51.6	8.2	1.1	1	0.6
Other ST (one year) Liabilities	47.9	23.3	22.3	11.4	5.6	0.7
Long Term Debt	107.0	111.3	64.2	10.1	9.3	10.7
Risk Provision	28.2	18.0	0.1	0	2.3	0.1
Other Liabilities	17.9	-2.6	6.6	6.0	1	0.7
Total Liabilities	258.5	223.8	148.4	31	19.4	13.1
Net Worth or Owner's Equity	65.3	29.5	86.1	128.3	12.9	-2.8
Equity as a % of Assets	20.2%	11.6%	36.7%	80.5%	39.9%	-27.2%
LT Debt as a % of Assets	33.0%	43.9%	27.4%	6.3%	28.8%	103.9%

REFERENCE 3: 2020 Cash Flow Statement Comparison

<i>(All Amounts in Billions\$)</i>	Apple (AAPL)	Ford (F)	Walmart (WMT)	Facebook (FB)	Uber (UBER)	AMC (AMC)
Operating Activities						
Cash Flow	80.7	24.3	25.3	38.7	-2.6	-1.1
% of Revenue	29.4%	19.1%	4.8%	45.0%	-23.4%	-91.7%
Investing Activities						
Cash Flow	-4.3	-18.6	-9.3	-30.1	-2.9	-0.2
% of Revenue	-1.6%	-14.6%	-1.8%	-35.0%	-26.1%	-16.7%
Financing Activities						
Cash Flow	-86.8	2.3	-14.3	-10.3	1.2	1.3
% of Revenue	-31.7%	1.8%	-2.7%	-12.0%	10.8%	108.3%
Net Change of Cash for Period	-10.4	8.0	1.7	-1.7	-4.3	0.0

Operating Activities - Net cash flow from the conduct of the business of selling goods and services.

Investing Activities - Net cash flow from purchase and sale of assets, investment securities, acquisitions, and divestitures.

Financing Activities - Net cash flow from financing the business including debt, loans, issuing or buying stock, and dividend payments.

EXERCISE 2: “Financial Analysis” Acumen (in a Day!)



Income Statement

1. What are possible reasons for the AMC negative “Gross Margin?” What actions should be taken?
2. How would you analyze the overall business income and expense model of Uber? Are “SGA Expenses” a possible issue?
3. Ford had an “Unusual Adjustment” to income in 2020. What are the possible reasons?

EXERCISE 2 (CONT.): “Financial Analysis” Acumen (in a Day!)

Income Statement

4. What is the primary reason that Facebook has such a successful financial model?
5. Why would Apple have “Interest Income” instead of the typical “Interest Expense?”
6. Explain why Walmart’s “Income as a % of Revenue” and “Return on Assets” are so low?
7. Compare the “SGA as a % of Revenue” (remember these are the “fixed costs”) of all companies and explain potential reasons for differences.

EXERCISE 2 (CONT.): “Financial Analysis” Acumen (in a Day!)

Balance Sheet

8. What are possible reasons for the seemingly low “Inventory” at Apple?

9. Which company has the most generous payment terms with its customers? (*Hint: look at the “Accounts Receivable” balance – meaning they allow a lot of sales “on account!”*)

10. What could Apple do with its large amount of “Cash?”

11. Why do Walmart and Facebook have “Goodwill” on the balance sheet and Apple has zero?

12. Why is the ratio of “Long-Term Debt as a % of Assets” important in assessing the financial stability of a business?

EXERCISE 2 (CONT.): “Financial Analysis” Acumen (in a Day!)

Cash Flow Statement



13. Why would Apple have a such a high negative cash flow for “Financing Activities?”

14. Which of the six companies has the highest “Investing Activities?” What could be the cause(s)?

15. How would you describe the “Overall” cash flow situation at Uber and AMC?

EXERCISE 3: “Breakeven Analysis” Acumen (in a Day!)



Apple revenue for the twelve months ending June 30, 2021 was \$347.2B, a 26.7% increase year-over-year.

But Apple revenue for 2020 only increased 5.5% over 2019. And 2019 revenue actually decreased about 2% from 2018. What does this show?... Continued growth is not a guarantee.

If some world crisis caused Apple’s revenue to begin to decline, you would want to know your breakeven level of sales revenue (assuming the current cost structure).

Using the Wal-mart example we did together, what is Apple’s breakeven level of revenue?
(Hint: This is Fixed Costs (SGA) divided by Gross Margin %)

What if **Apple’s** revenue dropped in half, would they still break even?

EXERCISE 3 (CONT.): “Breakeven Analysis” Acumen (in a Day!)



Uber has never made a profit and shareholders are finally becoming concerned.

The founder and former CEO, Travis Kalanick, was ousted a few years ago due to a series of scandals and the simple fact that Uber has never been profitable.

Even though Uber's sales more than doubled in the second quarter in 2021, it still lost money.

The new CEO wants to know the breakeven level of sales revenue (I do too!). What level of revenue is necessary (assuming the current cost structure) for Uber to break even?

How could **Uber** lower its breakeven revenue number?

EXERCISE 3 (CONT.): “Breakeven Analysis” Acumen (in a Day!)



The automobile industry is a highly cyclical one; an economic boom is generally accompanied by high sales in the automobile industry, while sales usually suffer during economic downturns (let alone recessions).

Ford's sales revenue has increased for the twelve months ending June 30, 2021, a 4.6% increase from 2020. But sales for 2020 declined from 2019 by 18.5%.

As CEO of Ford, you will always want to know your breakeven levels of sales revenue.... So, what is Ford's breakeven level of revenue (assuming its current cost structure)?

How could **Ford** lower its breakeven revenue number?

EXERCISE 3 (CONT.): “Breakeven Analysis” Acumen (in a Day!)



AMC theaters have been shut down for much of the pandemic.

As such, AMC revenue for the twelve months ending June 30, 2021 was 76.5% below the 2020 revenue. Oh, and the 2020 revenue was 77% below 2019. Yikes.

Everyone wonders whether the company can survive, but we can start by figuring out what level of revenue is necessary for the company to get back to breakeven. So... what revenue is necessary to achieve breakeven (assuming the current cost structure)? (*Hint: This is kind of a trick question...*)

COULD AMC lower its breakeven point? (*Hint: This is kind of another trick question...*)

EXERCISE 4: “Discounted Cash Flow Analysis” Acumen (in a Day!)



Considering the discounted cash flow concept and factors such as interest rate and investment earnings rate assumptions, inflation, income and personal earnings assumptions, personal and demographic factors, uncertainty risks, and other pitfalls, list the key elements you will consider when determining your personal financial plans for...

Future Retirement

Buying a House

Paying off Student Debts

Buying a Business

Other

EXERCISE 5: Ethics: What Would You Do?



You find a wallet in the street. ***What would you do?***

You are applying for a job that you really want. ***Would you exaggerate your resume?***

You find that you really have difficulties with your accounting courses. ***Would you cheat to get a better grade?***

EXERCISE 5 (CONT.): Ethics: What Would You Do?

You realize that the restaurant did not charge you for the last round of drinks. ***What would you do?***

You are on a business trip and a little short of cash for buying some personal items. ***Would you make up the difference by padding the business expenses a bit?***

You have the opportunity to cheat just a little to reduce your tax bill. ***What would you do?***

You work for a HUGE company. Your work is so good (and you are proud of it!) that a client sends you a pretty expensive gift at Christmas. ***What would you do?***

You are applying for a mortgage and your broker tells you that your income is too low to qualify for the mortgage that you need to buy the house that you want. The broker also tells you that you can just report a higher income (nobody checks the number anyway). ***What would you do?***

EXERCISE 5 (CONT.): Ethics: What Would You Do?

You are an Accounting Manager for a manufacturing company. The CFO instructs you to delay booking expenses for a plant shut down late this year to the next tax year (thus reducing taxes for next year). ***What would you do?***

You are the new Accounts Payable Manager for a big CPA firm. You immediately notice that key people in the firm (i.e., Partners) routinely turn in expenses that far exceed company policy for allowed business expenses. They were “overlooked” by the previous Accounts Payable Manager. ***What would you do?***

You are the CFO and it is time to calculate year end results that will determine bonuses for key executives for the year. You notice the financial results are a little short of a key threshold, but you can change interest rate assumptions for the pension reserve which will improve the results. ***What would you do?***

There have been some ethical breaches in your Company, and you are in trouble with several government agencies. One agency requires your organization to take mandatory ethics training. Someone comes up with the answers to the training test and offers them to you. ***What would you do?***

EXERCISE 5 (CONT.): Ethics: What Would You Do?

You are a financial analyst with your company and are in a position to know key forecast assumptions for the future year. The CFO misrepresents key sales forecast projections to bondholders of the companies' bonds to make the financial picture appear better than it is.

What would you do?

You are asset accountant in charge of assets accounting for the firm. You have been instructed to expense numerous capital items in order to reduce income for the current year (and therefore decreasing taxable income for the year). ***What would you do?***

You are a financial service representative at a major bank. There is a lot of pressure to open multiple accounts for the bank's customers. And you are paid a bonus for opening multiple accounts for customers. You notice that other reps simply open accounts without the knowledge of the customer in order to get more bonus money. ***What would you do?***

BONUS ACTIVITY: Describe a professional and/or a personal ethics dilemma and how you handled it.

EXERCISE 6: Sources of Financial Shenanigans

What are the major categories of real or potential financial shenanigans at your organization?

Is disingenuous leadership a problem?

Is disingenuous finance and accounting leadership a problem?

Are unclear and out-of-control accounting processes a problem?

Do aggressive incentive and other compensation plans lead to financial shenanigans?

Are unclear general codes of conduct and lack of enforcement a problem at your organization?

What can you do to help ensure the integrity of finance and accounting processes in your organization and your life?

REFERENCE 4: Checklist for Ethical Decision Making

PERSONAL

Does the decision do no harm to others?

Is the decision consistent with your personal values and conduct standards?

Is the decision based on truth, honesty, and facts?

Are you resolving conflicts between your interests and others' interests in favor of others?

LEGAL

Is the decision consistent with applicable federal, state, and local laws?

Is the decision in compliance with agency regulations?

PROFESSIONAL

Is the decision consistent with the spirit and intent of applicable professional standards and values?

Would your trusted professional colleagues approve of the decision?

Is the decision consistent with applicable trusteeship and fiduciary standards?

ORGANIZATIONAL

Is the decision consistent with organization mission and values?

Is the decision consistent with organization standards of conduct?

Does the decision represent the interests of your customers?

Does the decision represent the interests of *all* stakeholders?

COMMON SENSE

Would your parents approve of the decision?

Would your pastor, priest, or rabbi approve of the decision?

Are you being a good steward for others' interests?

Are you honoring your commitments?

Are you doing the right thing that will serve as a model for ethical behavior for others?

Are you speaking up when you see unethical behavior?

REFERENCE 5: Jo's Everyday Ethics Test

The following is a five-question test that can help us deal with the gray areas of our lives and lead to better decisions – personally, professionally, and institutionally.

Question One: Is the act or decision “*institutionally compliant?*”

Is the act or decision lawful and compliant – not only in the spirit, but also in the intent of the related law and regulations? Further, is the act or decision consistent with applicable professional standards, such as the IIA Code of Ethics or the AICPA Code of Professional Conduct? And lastly, does the act or decision comply with the organization's values and standards of conduct? Be guided by thoughtful compliance.

Question Two: Is the act or decision “*consequences aware?*”

Does the act or decision take into full consideration of the short-term and long-term impact on stakeholders? Have you thought through the consequences completely and thoroughly? I often refer to the great American philosopher, Sissela Bok, and her “Yes, *but*” questions... When a decision is about to be made, stop, and ask yourself “Yes, *I could do XXXX, but – what is going to be the impact on others?*” Be guided by, and proudly stand by, your answer.

Question Three: Does the act or decision have a “*blind spot?*”

When faced with a difficult decision, ask yourself if you are being blinded by money. Ask yourself if you are being blinded by group think or peer pressure. Ask yourself if you are being blinded by an authority figure or organizational desire (*perhaps to put profits before purpose*). Be guided by the knowledge your eyes are wide open.

Question Four: Does the act or decision follow the “*Golden Rule?*”

If you were the major stakeholder impacted by the result of the act or decision, would you be happy (*i.e., untroubled, delighted, joyful, pleased, or whatever similar positive state you like*)? We have all learned some version of the Golden Rule – no matter the environment, religion, or culture in which you were raised. Treat others as you would like to be treated. Next time you are confronted with an ethical dilemma, be guided by the Golden Rule.

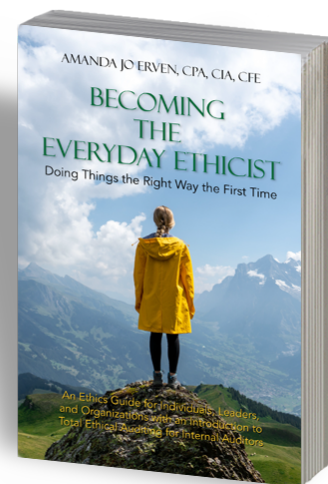
Question Five: Does the act or decision pass a “*gut check?*”

Would you be comfortable with a full description of your acts or decisions on the front page of the newspaper or as an Internet headline? Or more personally, would you be comfortable describing your actions to your family, your best friend, your spiritual leader, or your mentor? And lastly, and even more importantly, will you be able to look yourself in the mirror after the decision is made? Be guided by your gut.

REFERENCE 6: The Everyday Ethicist™ Contract

- ◆ Recognize everyone is vulnerable to unethical behavior.
- ◆ Understand that ethical behavior is hard work.
- ◆ Develop your own personal value statement and ethical code of conduct.
- ◆ Do no harm to others.
- ◆ Judge your own ethical decisions the way you would judge others.
- ◆ Visualize defending your actions in front of a judge.
- ◆ Imagine an article on the front page of the Wall Street Journal describing your actions.
- ◆ Project ethical challenges into future situations and pre-commit to intended ethical choices.
- ◆ Practice writing down thoughts to get a clear, developed plan for conduct and actions.
- ◆ Review critical ethical decisions and alternative actions with personal mentors or professional colleagues/trusted advisors before acting.
- ◆ Make decisions as if you had trusteeship, stewardship, or fiduciary responsibility for others.
- ◆ Meet or exceed your commitments and do not overcommit or exaggerate.
- ◆ Commit to serve the best interests of clients, in particular, and society, in general.
- ◆ Resolve any conflicts between business interests and personal interests in the favor of others.
- ◆ Let every ethical crisis develop your character and strengthen your resolve to do the right thing.
- ◆ Don't compromise your integrity at any cost.
- ◆ Be a model for ethical conduct; walk the talk.
- ◆ Speak up to power.
- ◆ Speak truth to power.

What is YOUR Everyday Ethicist Contract?





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Amanda “Jo” is the President and Founder of Audit. Consulting. Education. LLC, a firm specializing in progressive internal audit and ethics consulting and providing impactful Continuing Professional Education (CPE) hours to organizations and individuals, globally.

Jo is a Certified Public Accountant (CPA), a Certified Internal Auditor (CIA), and a Certified Fraud Examiner (CFE) who pushes the envelope of traditional internal auditing. She believes audit should no longer be “*reactive*” and should focus on “*proactive*,” real value-add activities, melding quality and ethical behavior into the organization. Her trademarked approach to internal audit, *Total Quality Auditing*® (TQA) was published in both book and workbook format in 2019 (entitled *Total Quality Audit: How a Total Quality Mindset Can Help Internal Audit Add Real Value*). She provides in-person and virtual CPE trainings regarding her TQA techniques, which have already been successfully implemented by many organizations.

Personally, Jo is known for her proactive nature as well. After finding out she was positive for the breast and ovarian cancer gene mutation (BRCA1) in 2015, Jo underwent multiple preventative surgeries, including a double mastectomy in 2016. She believes knowledge is power and encourages others to take action in their lives.

Jo’s second book (also published in 2019 with an accompanying workbook), originally titled *Our Choices on the Road of Life*, was revised and re-published in 2021 titled, *Your Road. Your Choices*. The book begins with a look at her life story and explores how we can each make a choice to “*embrace adversity*.” She delivers several keynote presentations on our life choices, which have been called an “*epic experience*.”

Jo’s third book, *Becoming The Everyday Ethicist*™, was published at the end of 2020. The book is based on Jo’s personal and professional life experiences, her leadership experiences, and her ethics research and studies. Jo is passionate about ethics and *Becoming The Everyday Ethicist* provides the keys to living an ethical life, shows leaders how to display integrity and earn trust, and demonstrates the importance of ethics (and ethics monitoring by internal auditors) in all organizations.

Jo has both her bachelor’s and master’s degrees in Accounting from the University of Georgia. She started her career in Public Accounting at one of the Big Four firms, experienced a traditional accounting role at a multinational corporation, and directed an internal audit function. She is also

an Affiliate Faculty member at a State University in Colorado and has taught higher education courses including Principles of Accounting, Intermediate Accounting, Introduction to Business, and Internal Auditing.

Jo's experience includes advising management on a multitude of strategic initiatives, while providing ongoing recommendations for process and control improvements. She has designed SOX and other compliance programs, implemented audit management software suites, and has performed and managed financial, operational, and compliance audits for a multitude of industries, including oilfield services, agriculture, cannabis, transportation, insurance, retirement, investment, healthcare, higher education, and government. She has extensive risk assessment experience and focuses her efforts on what is critical for organizational success. She greatly enjoys working with her clients today on identifying and assessing their current and future risks.

Jo is an active member and instructor for the Colorado Society of CPAs (COCAPs) as well as a member of the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE). Jo is currently serving as the Vice President of Academic Relations for the Denver Chapter of the IIA. Jo is also a Professional Member of the National Speakers Association, at both the state and national level. On a more personal note, Jo is a Leadership Committee member and active volunteer with Susan G. Komen Colorado.

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