



Finance for Non-Finance





What are we going to learn today?

- Meaning of financial statements, types and its importance
- Budgeting and costing
- Profit vs cash flow
- Financial ratios and indicators
- How Financial Data helps in Decision Making

فکرہ مرکزیہ

خدا تعالیٰ قرآن مجید ما فرماوے چھے:

"يا ايها الذين امنوا اذا تدانتم بدين الى اجل مسمى فاكتبوه"

فحوی۔ اے ایمان نالاؤنار لوگو! جہ وقت تمیں کوئی دین نولیسور دیوسر کرو تو اھنے لکھی لو۔

(سورۃ البقرۃ۔ 282)

Meaning of Financial Statements, Types and its Importance

Finance for non-finance" is a simplified approach to teaching essential financial principles to professionals who do not work in accounting or finance departments, such as those in marketing, HR, sales, or operations.

**Better
Communication**

**Informed
Decisions**

**Identifying
Risks**

**Career
Growth**

Non-finance managers primarily focus on three interconnected reports

Balance Sheet

Acts as a financial "snapshot" of the company at a single point in time.
 $Assets = Liabilities + Shareholders' Equity$.

Income Statement

Summarizes revenues, expenses, and net profit or loss over a specific reporting period (e.g., monthly or annually).

Cash Flow Statement

Tracks the actual movement of cash in and out of the business. It is crucial for assessing liquidity—the company's ability to meet immediate financial obligations—and is categorized into operating, investing, and financing activities.

Budgeting and Costing

الداعي الاجل سيدنا القاضي النعمان قس فرماوے چھے:

"اجعل المال درهين ، درهم قدمته لاخرتك
ودرهم انفقته على عيالك"

فحوى۔ تمارا مال نے بے درہم ما تقسیم کرو، ایک درہم نے تمارا آخرت
واسطے مقدم کروانے ایک درہم نے تمارا عیال پر خرچو۔

(کتاب دعائم الاسلام الجزء الاول)





Budgeting and Costing

Feature	Costing (Estimation)	Budgeting (Allocation)
Focus	Technical detail of specific products/activities.	Broad financial landscape of the organization.
Question	"What should this cost if we are efficient?"	"What do we expect our financial position to be?"
Timing	An ongoing process as details emerge	Set at the start as a financial baseline.
Constraint	Provides a guideline or range.	Provides "hard edges" or spending limits.

Budgeting Methods

Rolling Forecasts

Adjusts the previous year's budget by a percentage to account for growth or inflation.

Rolling Forecasts

Starts from "zero" each period; every expense must be justified based on necessity rather than historical precedent.

Rolling Forecasts

Allocates funds based on the costs of specific business activities and their cost drivers.

Rolling Forecasts

Continuously updated budgets (e.g., a 13-week rolling forecast) that add a new period as one ends, providing agility in volatile markets.



Profit Vs Cash Flow

Feature	Costing (Estimation)	Budgeting (Allocation)
Document	Income statement (P&L).	Cash flow statement.
Purpose	Measures long-term sustainability.	Measure short-term ability to bills.
Stakeholders	Investors look here for growth potential.	Creditors/Lenders look here for repayment ability.
Non-Operating Items	Ignore loan principles payments.	Includes all cash movements, including loans.

Financial Ratios and Indicators

امام احمد المستور ص ع فرماوے چھے:

فحوی۔ حکماء یر بیسرا تمام علوم نا قبل علم العدد (math) ما نظر کیدی کیم کرا علم نفس ما مرکونر چھے.

(مرسالۃ اخوان الصفاء و خلان الوفاء الجزء الاول)



Liquidity
Ratios



Leverage
Ratios



Efficiency
Ratios



Profitability
Ratios



Market Value
Ratios

Financial Ratios and Indicators



Liquidity Ratios: The Survival Indicators Liquidity

Ratios measure a company's ability to meet its short-term obligations (debts due within one year) using assets that can be quickly converted to cash.



Profitability Ratios: The Performance Indicators

These ratios evaluate how efficiently a company generates profit relative to its sales, assets, or equity.



Efficiency (Activity) Ratios: The Resource Indicators-

Efficiency ratios reveal how well a manager utilizes the company's assets to generate revenue.

Financial Ratios and Indicators



Solvency (Leverage) Ratios: The Stability Indicators

Solvency ratios assess a company's ability to meet long-term obligations and manage its debt structure.



Market Ratios

Ratios are most meaningful when compared against industry averages or historical performance.

Financial Data کئی طرح اہم فیصلہ و لیوا ما مدد کرے چھے

خدا تعالیٰ قرآن مجید ما فرماوے چھے:

"لینفق ذوسعة من سعته ومن قدر علیه رزقه فلینفق مما اللہ اللہ"

فحوی۔ جہ شخص نائز دیک رزق ما وسعة ہوئی تو یہ اہما سی خرچے، انے جہ شخص پر رزق

تگ ہوئی تو اہنے کہو کہ اہنا مطابق جہ خدا تعالیٰ یہ مقدر کیدو چھے اہما سی خرچے۔

Decision Making using Financial Data

Key Operational

- Pricing decisions: Understanding the gross profit margin.
- Hiring decisions: Full-time Employees.
- Outsourcing: Conduct Cost-Benefit Analysis.
- Managing working capital: Monitoring accounts receivable turnover.

Strategic and Investment

- Project approval: Managers use tools like Net Present Value.
- Risk assessment: Analyzing debt-to-equity ratios.
- Performance benchmarking: Comparing departmental performance against internal budgets.

Integration of Financial and Non-Financial Data

Collaboration: Centralized platforms and open communication foster collaboration, ensuring all departments use a single source of truth for planning and can communicate effectively with the finance team.

Benefits of financial statements in different supply chain



Conduct variance analysis to compare forecasted production costs against actual spending on labor and utilities.



Monitor inventory turnover ratios to ensure capital isn't "tied up" in slow-moving stock.



Track the current ratio (current assets vs. liabilities) to ensure enough liquid cash is available to pay monthly store rent and staff.



Use profitability analysis to see which specific services (e.g., tax consulting vs. basic bookkeeping) yield the highest margin per hour.

Summary

1

**Better
Communication**

2

**Identifying
Risks**

3

**Informed
Decisions**

4

**Improvement
and Growth**

5

**Regulatory
Compliance**

6

**Identifying
Improvement Areas**



شكرا لحسن استماعكم