

CONTENTS

01 Introduction 1

02 The income statement 9

- 2.1** Aim and objectives 9
- 2.2** The income statement 10
- 2.3** Revenue 15
- 2.4** Cost of sales 19
- 2.5** Inventory and the income statement 21
- 2.6** Inventory valuation methods 22
- 2.7** Operating expenses 31
- 2.8** Net finance costs 34
- 2.9** Earnings before tax 35
- 2.10** Taxation, earnings after tax, dividends and retained earnings 36
- 2.11** Porter's income statement 38
- 2.12** SC management and profitability 39
- 2.13** Summary 43
- 2.14** References 43
- 2.15** Solutions to the activities 45
- 2.16** Study questions 50

03 The balance sheet 57

- 3.1** Aim and objectives 57
- 3.2** Debits, credits and account types 58
- 3.3** Accounting equation 59
- 3.4** The balance sheet 62
- 3.5** Assets 75
- 3.6** Liabilities 80
- 3.7** Working capital 82
- 3.8** Equity 84
- 3.9** Financial ratios and the balance sheet 84
- 3.10** Supply chain decisions on the balance sheet 88
- 3.11** Balance sheet case study 91

	3.12	Summary	96
	3.13	References	96
	3.14	Solutions to the activities	97
	3.15	Study questions	100
	3.16	Study question solutions	102
04	Cash and working capital management		111
	4.1	Aim and objectives	112
	4.2	The importance of cash in business	112
	4.3	The cash flow forecast	115
	4.4	The cash-to-cash cycle	128
	4.5	The relationship between liquidity and cash flow	133
	4.6	Supply chain management and supply chain finance	134
	4.7	Summary	139
	4.8	References	140
	4.9	Solutions to the activities	141
	4.10	Study questions	144
	4.11	Study question solutions	147
05	An introduction to depreciation		153
	5.1	Aim and objectives	154
	5.2	Smoke and mirrors	154
	5.3	Revenue and capital	155
	5.4	Depreciation methods	157
	5.5	Disposal of an asset	165
	5.6	Depreciation practice in the supply chain	166
	5.7	Earnings before interest, taxes, depreciation and amortization (EBITDA)	169
	5.8	Summary	171
	5.9	References	172
	5.10	Solutions to the activities	172
	5.11	Study questions	176
	5.12	Study question solutions	179
06	Supply chain management and financial performance		187
	6.1	Aim and objectives	188
	6.2	The role of the supply chain	188
	6.3	Return on capital employed	190

- 6.4 EBIT percentage and NCA + WC turnover 192
- 6.5 Case study: Qwerty Ltd 196
- 6.6 Supply chain management and ROCE 202
- 6.7 Supply chain management financial ratios 208
- 6.8 EBIT after asset charge (EAC) 213
- 6.9 Summary 214
- 6.10 References 215
- 6.11 Solutions to the activities 216
- 6.12 Study questions 218
- 6.13 Study question solutions 224

07 Marginal costing 231

- 7.1 Aim and objectives 231
- 7.2 Different types of cost 232
- 7.3 Break-even analysis 237
- 7.4 Limiting factor analysis 242
- 7.5 Inventory valuation 244
- 7.6 Practical applications of marginal costing in supply chains 245
- 7.7 Summary 246
- 7.8 References 246
- 7.9 Solutions to the activities 246
- 7.10 Study questions 250
- 7.11 Study question solutions 253

08 Absorption costing and variance analysis 259

- 8.1 Aim and objectives 260
- 8.2 The need for full costing 260
- 8.3 Margin vs. mark-up 264
- 8.4 Absorption costing 266
- 8.5 Cost units and cost centres 268
- 8.6 Allocation, apportion and absorption 269
- 8.7 Absorption costing case study 282
- 8.8 Standard costing and variance analysis 286
- 8.9 Supply chain implications 291
- 8.10 Summary 293
- 8.11 References 293
- 8.12 Solution to the activities 294
- 8.13 Study questions 295
- 8.14 Study question solutions 300

- 09 Contemporary costing methods 307**
 - 9.1** Aim and objectives 307
 - 9.2** Activity-based costing (ABC) 308
 - 9.3** Total cost of ownership 318
 - 9.4** Target costing 321
 - 9.5** Other contemporary costing methods 325
 - 9.6** Summary 328
 - 9.7** References 328
 - 9.8** Solutions to the activities 329
 - 9.9** Study question 332
 - 9.10** Study question solution 334

- 10 To invest or not to invest, that is the question 337**
 - 10.1** Aim and objectives 338
 - 10.2** Revenue and capital expenditure 338
 - 10.3** Shareholder value 340
 - 10.4** Capital investment appraisal 340
 - 10.5** Opportunity cost 342
 - 10.6** Case study: warehouse management system upgrade 342
 - 10.7** Equivalent annualized cost 356
 - 10.8** Practical applications of investment appraisal in supply chains 359
 - 10.9** Summary 360
 - 10.10** References 361
 - 10.11** Discount factor tables 361
 - 10.12** Solutions to the activities 361
 - 10.13** Study questions 365
 - 10.14** Study question solutions 375

Index 389