PREFACE

Accounting intelligence is the ability to learn, understand, and make judgments or have opinions based on accounting information that companies communicate through financial statements.

Corporate managers, entrepreneurs, business journalists, readers of business newspapers and magazines, and others interested in business must develop accounting intelligence to make sense of accounting numbers.

Young managers aspiring to move up the corporate ladder or start an entrepreneurial venture in future must try to see the big picture and develop a holistic understanding of business. Financial statements depict the holistic picture of the economic impact of activities performed by the company during the reporting period. Therefore, they should develop accounting intelligence. Even if they are not that ambitious, they must be able to discuss various issues with their accounting counterparts with confidence and dignity. Without an understanding of accounting information, they will neither have the confidence nor will they be able to maintain their dignity.

General managers must contribute effectively to the top management's decision-making. Accounting numbers are discussed in the top management discussion on strategy and operations. Decision-making is impossible without understanding the impact of a decision on the company's future performance and financial position. Competitors' analysis also requires understanding the stories behind accounting numbers. Therefore, general managers cannot escape developing accounting intelligence.

Business journalists must be able to decipher accounting numbers to write credible stories about a company's performance and financial position with conviction. Therefore, they should develop accounting intelligence.

Anyone interested in the stability and growth of companies should develop accounting intelligence,

Developing accounting intelligence is relatively easy. It is as easy as learning to drive a car. Most cab drivers are not automobile engineers. But every car driver knows how to drive a vehicle, interpret readings in the dashboard, and feel the engine's sound to get a signal that something is wrong, and a car mechanic needs to inspect the car engine and other components. Similarly, accounting intelligence is the skill to read the accounting dashboard to form a judgement on the company's strengths and weaknesses and to forecast (roughly) the company's ability to generate cash flows in future. Users with accounting intelligence need not be accounting professionals, as cab drivers need not be automobile engineers. After reading this book, the readers will develop financial accounting intelligence. They will develop the knowledge and skills to calculate and interpret financial ratios.

It is not a cookbook. It is not a light reading. The book is targeted at those who are committed to developing accounting intelligence. The focus of the book is on developing skills for analysing financial statements. Accounting principles and methods are discussed only to the extent necessary to understand the stories behind the accounting numbers.

In the companion volume, we have discussed management accounting.

Each chapter can be completed in 90 to 120 minutes.

Reading the book will be fun.