

COMPLETE MBA FOR DUMMIES

SECOND EDITION

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Table 2-1		Perspectives Across the Generations		
<i>Characteristic</i>	<i>Mature Generation</i>	<i>Baby Boomers</i>	<i>Gen X-ers</i>	<i>Millennials</i>
Value System	Discipline, respect for authority	Optimistic, active	Skeptical, informal	Realistic and confident, social
Communication Style	Phone, face-to-face conversations, letters and memos	Cell phone, e-mail	Cell phone, e-mail	Cell phone, iPhone, e-mail, iPod, text messaging
Money	Save, pay cash	Buy now, use credit	Cautious, savings	Spend what you earn
View of Work	Have to do it	Love to do it	Find it a challenge	Just a means to an end

Table 3-1 Entrepreneur Preferences Quiz		
<i>Question</i>	<i>Yes</i>	<i>No</i>
Do you start projects on your own without waiting until someone asks you to start?		
Would you be able to work on growing your business for a year without pay?		
Do you always stick with a project until you finish it?		
Do you like working in teams?		
Do you like meeting new people?		
Are you comfortable asking for money?		
Are you comfortable with a lack of security?		
Do you have the time to devote to a new business start-up?		
Do you have the support of your family to start a business?		
Are you comfortable with debt?		

Table 3-2 Feasibility Analysis: Key Tests and Questions	
<i>Feasibility Test</i>	<i>Key Questions</i>
Business Concept Analysis	Who is the customer?
	What's the benefit he or she is receiving?
	How can I deliver the benefit?
	What's my secret sauce (my unfair advantage)?
Industry and Market Analysis	What are the characteristics of the industry?
	Are there barriers to entry?
	Who are the opinion leaders?
	What are the demographics of my target market?
	Who's the first customer?
	What does the competitive landscape look like?
	How much demand is there for my product/service?
Management Team Analysis	Who is my team? Co-founders, advisors, board of directors?
	What expertise and experience do we have?
	Where are the gaps and how will we fill them?
Product/Service Analysis	What products and services am I offering?
	How can I protect them?
	How will I prototype them, and how long will that take?
Cash Needs Assessment	How much money do I need to start the business and take it to a positive cash flow from the sales generated?
	What are the milestones I'll need to meet?
	What will cause changes in my predictions?

Table 5-1	Strategies versus Tactics
<i>Strategy</i>	<i>Tactic</i>
25% year over year growth	Create a marketing campaign that targets a new customer segment.
Raising \$5 million in investor capital	Attend a venture capital networking conference.
Reducing employee turnover	Develop an employee incentive program.

Table 5-2 Common Operational Plans	
<i>Type of Plan</i>	<i>How It's Used</i>
One-time plans	Used to carry out an action that is not expected to be repeated.
Programs	Contains a large number of activities, such as a set of procedures for hiring and retaining technical employees.
Projects	Usually smaller and less complex than a program. For example, a project can be the development of an employee manual.
Standing plans	Used to manage activities that occur regularly during a longer period of time.
Policies	Guidelines for how the organization will respond in any particular situation, including any exceptions to typical responses. For example, a policy may state that technical employees must have a college education.
Standard operating procedures (SOPs)	Describes the steps that employees must follow in a particular situation. For example, an HR manager may 1) check an applicant's résumé for the requisite college education; 2) call the college to verify the information; and 3) mark in the file that the candidate has met that requirement.
Rules and regulations	Takes the decision making out of the planning and execution process by stating emphatically what must be done. For example, a rule may state that the HR manager can override the requirement that applicants have a college education if the manager secures the signature of the Chief Operating Officer. There is no decision-making power in this directive.
Contingency plans	Takes into consideration what the company should do if the original plans can't be realized due to some unforeseen change in the environment. Contingency plans generally answer "what-if" questions.

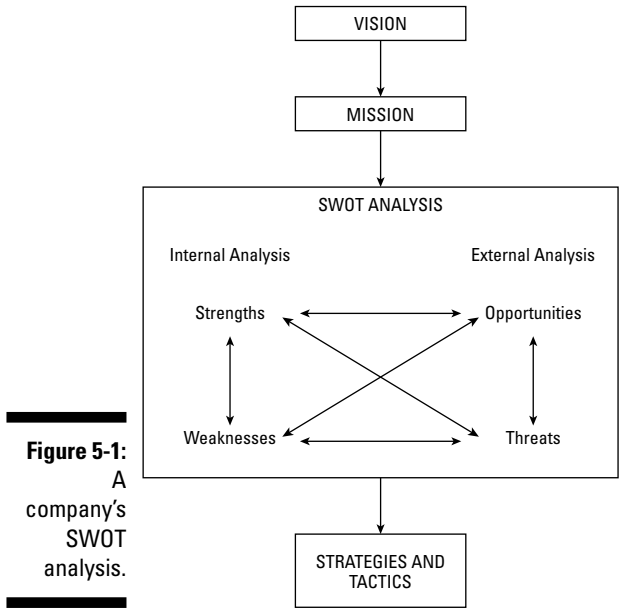


Figure 7-1:
Maslow's
hierarchy of
needs looks
a lot like a
pyramid.

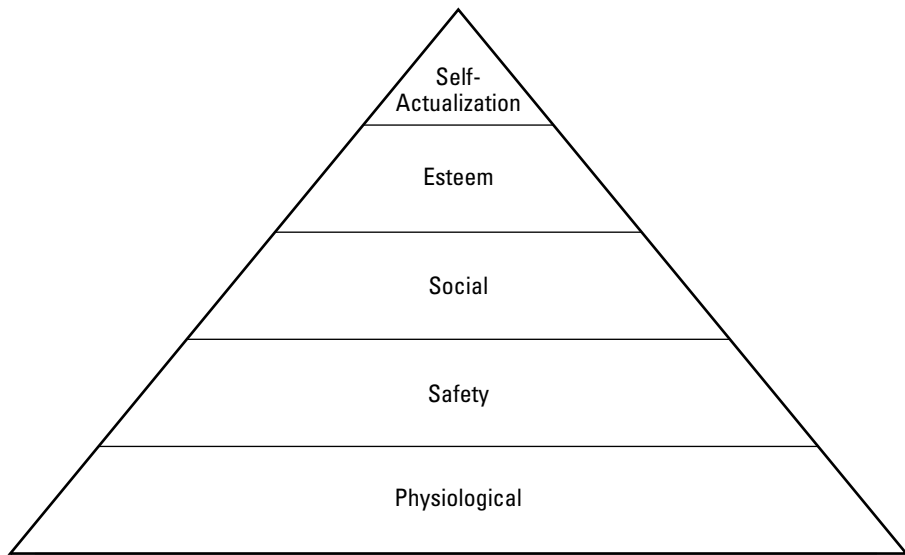


Figure 8-1:
A sample
candidate
ranking
sheet you
use to make
hiring
decisions.

	Customer Service Skills (A)	Help Desk Experience (B)	References (C)	Total Points (A+B+C)
Maria	1	2	1	4
Tom	3	1	2	6
Sally	2	3	3	8

Table 10-1		Straight-Line Depreciation
<i>Year</i>	<i>Depreciation Expense</i>	<i>Cumulative Depreciation</i>
1	\$500	\$500
2	\$500	\$1,000
3	\$500	\$1,500
4	\$500	\$2,000
5	\$500	\$2,500

Table 10-2		Double-Declining Balance Depreciation	
<i>Year</i>	<i>Book Value</i>	<i>Depreciation Expense</i>	<i>Cumulative Depreciation</i>
1	\$2,500	\$1,000	\$1,000
2	\$1,500	\$600	\$1,600
3	\$900	\$360	\$1,960
4	\$540	\$216	\$2,176
5	\$324	\$130	\$2,306

Table 10-3		Sum of the Years' Digits Depreciation		
<i>Year</i>	<i>Original Cost</i>	<i>Fraction</i>	<i>Depreciation Expense</i>	<i>Cumulative Depreciation</i>
1	\$2,500	$\frac{5}{15}$	\$833	\$833
2	\$2,500	$\frac{4}{15}$	\$667	\$1,500
3	\$2,500	$\frac{3}{15}$	\$500	\$2,000
4	\$2,500	$\frac{2}{15}$	\$333	\$2,333
5	\$2,500	$\frac{1}{15}$	\$167	\$2,500

Table 10-4		Variance Analysis	
<i>Expenses</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Rent	\$1,403	\$1,403	\$0
Wages	\$10,000	\$12,500	\$2,500
Taxes	\$1,325	\$1,500	\$175
Internet access	\$60	\$0	(\$60)
Licenses and permits	\$50	\$50	\$0
UPS service charge	\$25	\$100	\$75
Telephone system	\$200	\$200	0
Insurance (health and welfare)	\$1,000	\$1,500	\$500
Insurance (other)	\$500	\$500	\$0
Total expenses	\$14,563	\$17,753	\$3,190

Acme Dog Food
Consolidated Balance Sheet - As of December 31, 2005
(In millions)

ASSETS

Current Assets

Cash and cash equivalents	\$25
Accounts receivable	150
Inventory	<u>50</u>
Total Current Assets	225

Fixed Assets

Equipment	200
Furniture, fixtures, and improvements	150
Allowance for depreciation and amortization	<u>(20)</u>
Total Fixed Assets	330

Total Assets

\$555

LIABILITIES AND OWNERS' EQUITY

LIABILITIES

Current Liabilities

Notes payable to bank	10
Accounts payable	50
Accrued compensation and benefits	75
Income taxes payable	20
Deferred income taxes	10
Current portion of long-term debt	<u>5</u>
Total Current Liabilities	170

Long-Term Debt

100

Deferred Rent Expense

50

Deferred Income Taxes

50

Total Liabilities

370

OWNERS' EQUITY

Common stock	100
Additional paid-in capital	60
Retained earnings	<u>25</u>

Total Owners' Equity

185

Total Liabilities and Owners' Equity

\$555

Figure 11-1:

A balance sheet for a fictional online company.

Acme Dog Food
Income Statement - Twelve Months Ended December 31, 2005
(In thousands)

REVENUES	
Gross sales	50
Less: Returns	<u>(1)</u>
Net Sales	49
COST OF GOODS SOLD	
Beginning inventory	50
Purchases	10
Less: Purchase discounts	<u>(2)</u>
Net purchases	8
Cost of goods available for sale	58
Less: Ending inventory	<u>48</u>
Cost of Goods Sold	10
GROSS PROFIT	39
OPERATING EXPENSES	
Total selling expenses	5
Total general expenses	10
Total operating expenses	<u>15</u>
Operating income	24
Other income and expenses	
Interest expense (income)	5
Total Other Income and Expense	<u>5</u>
Income before taxes	19
Less: Income taxes	<u>(10)</u>
Net Income	9
Average Number of Shares	250,000
Earnings Per Share	\$0.036

Figure 11-2:
A sample
income
statement.

Figure 11-3:
A simple
cash-flow
statement.

Cash flows (4th Qtr.)	October	November	December
Cash inflow	\$5,000,000	\$7,500,000	\$6,500,000
Cash outflow	\$4,500,000	\$8,000,000	\$7,000,000
Cash surplus (need) this month	\$500,000	(\$500,000)	(\$500,000)
Cash surplus (need) last month	\$0	\$500,000	\$0
Cumulative cash flow	\$500,000	\$0	(\$500,000)

Forecasted cash flows	Week 1	Week 2	Week 3	Week 4
Cash inflow (client payment)	\$0	\$0	\$0	\$150,000
Cash outflow (payroll)	\$20,000	\$20,000	\$20,000	\$20,000
Cash surplus (need) this week	(\$20,000)	(\$20,000)	(\$20,000)	\$130,000
Cash surplus (need) last week	\$0	(\$20,000)	(\$40,000)	(\$60,000)
Cumulative cash flow	(\$20,000)	(\$40,000)	(\$60,000)	\$70,000

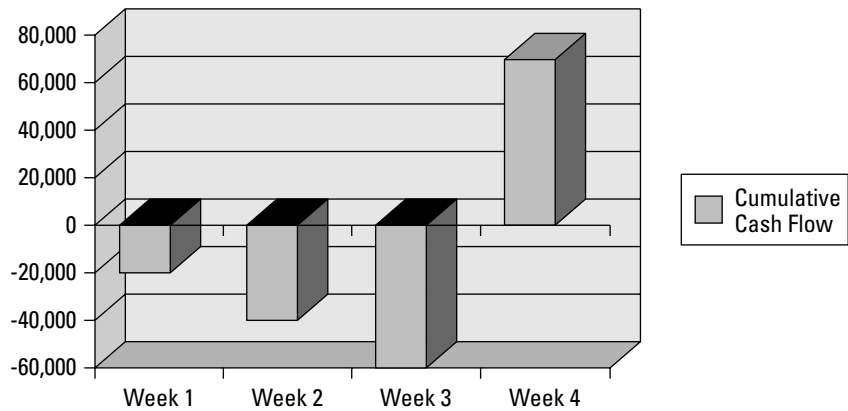


Figure 12-1:
A simplified
cash
forecast for
a typical
company.

Figure 12-2:
A sample
inventory
turnover
ratio.

Inventory turnover ratio=		$\frac{\text{Cost of goods sold}}{(\text{Beginning inventory} + \text{Ending inventory}) \div 2}$
=		$\frac{\$200 \text{ million}}{(\$20 \text{ million} + \$25 \text{ million}) \div 2}$
		$= \frac{\$200 \text{ million}}{\$22.5 \text{ million}}$
=		8.89

Wells Fargo & Co. (WFC)

08/03/07 12:26 p.m. EDT NYSE

Last	Change	% Change
34.17	-0.25	-0.73%

Open	High	Low
34.11	34.49	33.84

Volume	Prior Day's Volume	Prior Day's Close
12,030,651	19,725,506	34.42

52-Week High	52-Week Low
36.99	33.01 (03/14/2007)
(10/20/2006)	

Stock Data

115,727.30 Market Cap (Mil)

13.20 P/E Ratio

3.6% Dividend Yield

\$0.31 Latest Dividend

09/01/07 Pay Date of

Latest Dividend

100% stock div. Last Stock Split

08/14/06 Date of Last Split

3,362.21 Shares

Outstanding (Mil) 3,354.60

Public Float (Mil)

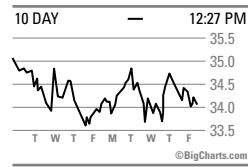


Figure 13-1:

Sample
stock
quotation
from *The
Wall Street
Journal*.

Table 13-1		Treasury Bill Maturity
<i>Treasury Debt Type</i>	<i>Minimum Investment</i>	<i>Maturity Date</i>
Treasury bills (T-bills)	\$1,000	Less than or equal to one year
Treasury notes (T-notes)	\$1,000	2, 5, and 10 years
Savings bonds (Series EE and I)	\$25/\$50	Earns interest for 30 years

Figure 13-2:
Calculating
the value of
a zero
coupon
bond.

$$P = \frac{F}{(1 + r)^n} \text{ so, Price is equal to } \frac{\text{Face Value}}{(1 + \text{interest rate}) \text{ to the number of years to maturity}}$$

Or. . .

$$P = \frac{\$2,000}{(1 + 10\%)^5} = \$1,242.24$$

Table 13-2 Bond Ratings from the Major Agencies		
<i>Moody's</i>	<i>Standard & Poor's</i>	<i>What the Rating Means</i>
Aaa	AAA	Prime/maximum safety
Aa1	AA+	High grade
A1	A+	Upper-medium grade
Baa1	BBB+	Lower-medium grade
Ba1	BB+	Noninvestment grade
Ba2	BB	Speculative
B1	B+	Highly speculative
Caa1	CCC+	Substantial risk
Caa2	CCC	In poor standing
	D	In default

Figure 14-1:
The stages
of financial
need
throughout
a company's
life cycle.

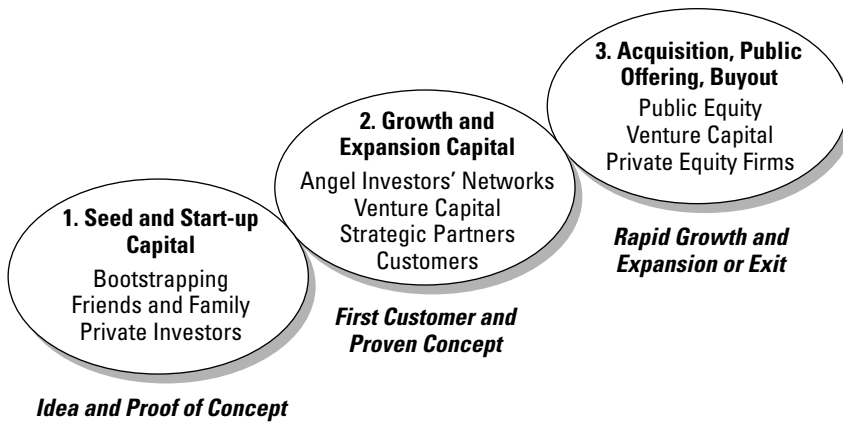


Figure 15-1:
Using the
Internet
to serve
small niche
markets.

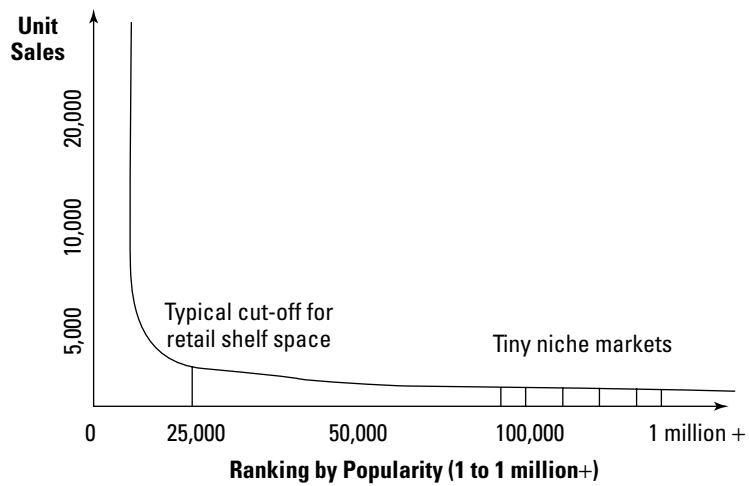


Table 15-1		Customer Matrix for ABC Strategies Corp.	
<i>Broad Customer Description</i>	<i>Benefit</i>	<i>Distribution</i>	<i>Marketing Strategy</i>
Rapidly growing technology companies	On-call guidance through rapid growth phase	Direct, onsite to the customer	Referrals, trade journal promotion, seminars
Start-up technology companies	Low-cost consulting as needed	Online via the Internet — e-mail and online chat	Direct mail, workshops, university programs, links with other business Web sites
Established technology companies	Use of ABC expertise for specific projects	Direct to the customer	Referrals

Figure 15-2:
Different
pricing
strategies
based on
stages of
the product
life cycle.

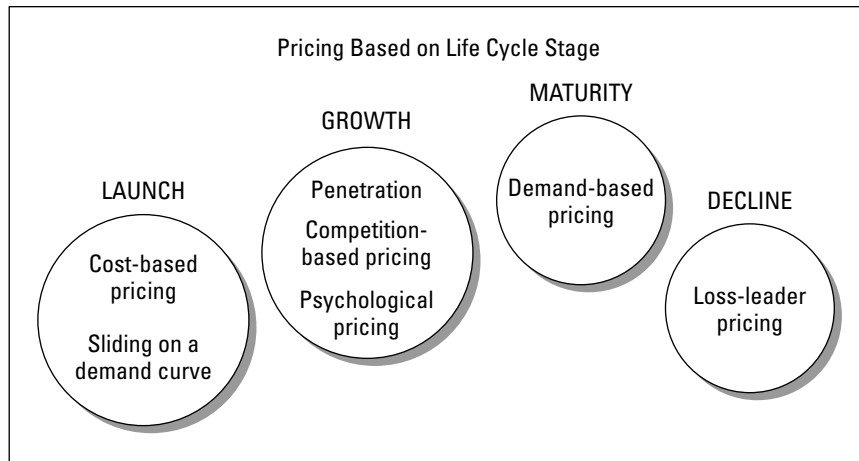


Figure 18-1:
Scheduling
production
tasks with a
Gantt chart.

Order #	Order Quantity	March				April				May			
		6-9	12-16	19-23	26-30	3-7	10-14	17-21	24-28	1-5	7-11	14-18	21-25
2,753	1,000	<div></div>											
2,754	1,500			<div></div>									
2,755	500					<div></div>							

Scheduled time: -----
Actual time: _____

Figure 18-2:
Scheduling
with a PERT
diagram.

