

# Subject : Cost Management

# Financials & Cost Analysis

## Program overview

- 2 hours e-learning
- 2 day classroom

Purchasing & supply management organizations are moving towards value chain orientation. New communication and assessment tools are needed. The financial knowledge of the employees will be an essential enabler in this growth path. In this program, participants will gain understanding of the fundamentals of financials. They will get a better understanding of annual reports and will be able to analyze a supplier's financial health. This knowledge will lead to understanding the supplier's pricing and how different cost elements contribute to the price. Additionally, other market intelligence sources that can be used for price analysis will also be covered.

## Target Audience

### **This program is intended for employees:**

- with a bachelor or master degree (or on equivalent level via work experience) with at least 1 year of purchasing experience;
- who are involved in managing, appraising and selecting suppliers;
- or who are stakeholder in the purchasing process and who want to have a better understanding of annual reports of suppliers, how different cost elements contribute to a supplier's price and how these costs can be managed by using cost-models and market intelligence.

## Objectives

### **Through this program participants will be able to:**

- analyze the suppliers' financial health;
- analyze cost factors and risk factors for a supplier's annual report;
- translate the analysis into action planning for improvements in close co-operation with internal departments;
- identify and prioritize cost drivers;
- separate cost of acquisition, ownership and disposal;
- understand and apply the use of the Total Cost of Ownership approach.

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## Financials & Cost Analysis

Content: E-learning, 2 hours

1. Introduction to financial accounting for non-financials
2. Introduction to cost analysis

Content: Classroom, 2 days

- Introduction to financials & cost analysis
- Financials
  - ◇ Balance sheet, profit & loss account
  - ◇ Financial ratio's
  - ◇ Own organization's / suppliers' annual report
  - ◇ Financial health assessment
  - ◇ Business risk management / cooperation with internal departments
- Cost analysis
  - ◇ Cost calculations
  - ◇ Cost drivers and cost levers
  - ◇ Total cost of ownership
  - ◇ Cost of non-performance / liability
  - ◇ Cost reduction opportunities

Assets

Liabilities / Funds

|                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fixed Assets (FA)</b></p> <ul style="list-style-type: none"> <li>• Intangibles</li> <li>• Net Fixed Assets</li> <li>• Long-term investments</li> </ul>              | <p><b>Ordinary Funds (OF)</b></p>                                                                                                                                                                                                                                                                       |
| <p><b>Current Assets (CA)</b></p> <ul style="list-style-type: none"> <li>• Inventories</li> <li>• Accounts Receivable</li> <li>• Cash</li> <li>• Miscellaneous</li> </ul> | <p><b>Long-Term Liabilities (LTL)</b></p> <ul style="list-style-type: none"> <li>• Mortgages, debentures, term loans, bonds</li> </ul> <p><b>Current Liabilities (CL)</b></p> <ul style="list-style-type: none"> <li>• Accounts payable</li> <li>• Short-term loans</li> <li>• Miscellaneous</li> </ul> |

Key elements of Balance Sheet