



[NEW LETTER]

[08 - 01 - 2006]

FROM THE DESK OF DAVE VIALE

Welcome to our first newsletter and our new Web Site.

This site was designed by Vikalpa Design, an Interactive Agency, based in Atlanta, specializing in Online Communications, Digital Experiences and Business-empowering Technology services working successfully with leading brands and service organizations all over the world.

The objective(s) of this newsletter are to provide:

- 1) A quick overview of new technologies and related sites I have reviewed and feel would be of interest.
- 2) A list of articles I have reviewed and feel are worth reading.
- 3) Monthly Links of Interest such as the Toyota Production and Lean Manufacturing History www.strategosinc.com/just_in_time.htm
- 4) Job openings not only in the Valley but Globally. (Companies looking for People and People looking for Companies) Please let your Human Resources Department know about this free service. When submitting requests, please e-mail job titles and description and appropriate salary. For individuals, please submit resumes.
- 5) Monthly Events: We welcome submission of upcoming events. We reserve the right to reject any request.

I am looking for suggestions that the reader might have for improvements, or additions that you, the reader, might have. Please e-mail your suggestions to cfme@aol.com C/O Dave Viale.

Thank you,

Dave Viale

LINKS OF INTEREST

RFID

RFID Journal

News and information about RFID and its many business applications.

www.rfidjournal.com

AIM – The global trade association for automatic Identification

Covering technologies such as barcode, radio frequency identification (RFID), card technologies (magnetic stripe, smart card, contactless card, ...)

www.aimglobal.org/technologies/rfid

Radio Frequency ID

Free listings and comparison tools, plus expert advice columns and more.

www.ManagingAutomation.com

MANUFACTURING TOPICS

Just-in-Time, Toyota Production and Lean Manufacturing History

A brief history of Just-in-Time production and Lean Manufacturing – Where it came from and how it developed

www.strategosinc.com/just_in_time.htm

SUPPLY CHAIN MANAGEMENT

Institute for Supply Management – Advancing the purchasing and ...

See the results of ISM's nationwide salary survey of supply management... The Institute for Supply Management™ (ISM) is currently updating its records on ...

www.ism.ws

CSCMP – Council of Supply Chain Management Professionals

The Council of Supply chain Management Professionals (CSCMP) is a not-for-profit professional business organization consisting of individuals throughout the...

www.cscmp.org

JOB OPENINGS

The job market is starting to pick up. We currently have the following Job listings:

Senior Commodity Manager

Purchasing Manager

Materials Planner

UPCOMING EVENTS

Basics of Supply Chain Management: August 14, 16, 21, 23, 28, 30, 2006

Location: Biltmore Hotel & Suites
2151 Laurelwood Road
Santa Clara, CA 95054

ARTICLES AND BOOKS

This first of six series comes from the ***Finances for all Functions*** written by Dave Viale.

Overview of Financial Statements: The Balance Sheet

The first type of financial statement is the Balance Sheet. This statement shows assets, liabilities, and stockholders equity.

Assets — Items the company owns. Assets are divided into short-term (consumed in less than a year) and long-term (has value for more than one year). Examples of short-term assets are cash, accounts receivable, and inventory. Examples of long-term assets are machines and equipment.

Liabilities — These are debts owed. Liabilities are divided into short-term and long-term. Short-term liabilities include accounts payable and taxes payable. Payments are due monthly. Long-term liabilities include the acquisition of buildings. Payments are spread out over more than one year.

Shareholders' Equity — Contains the value of the ownership of the stockholders (owners) and the earnings and losses the company has incurred since the company was started (retained earnings).

Asset Management Defined

For purposes of this book, asset management is defined as the comparison and reconciliation of the financial information of assets with the physical information of assets to ensure the highest possible return on these assets.

SAMPLE BALANCE SHEET (\$Millions)

	Current	Prior		Current	Prior
	<u>Year</u>	<u>Year</u>		<u>Year</u>	<u>Year</u>
Current Assets			Current Liabilities		
Cash	100	80	Accounts Payable	300	100
Accts. Receivable	200	160	Short term debt	400	120
Inventories			Total current liabilities	700	220
Raw materials	100	60			
Work in process	400	60	Long Term Liabilities		
Finished goods	215	90	Long term debt	400	315
Total inventories	715	210	Total Liabilities	1,140	535
Total Current Assets	1,015	450			
			Shareholders' Equity	55	53
Property, Plant, and Equip.	50	45	Common stock		
Land	340	220	Accumulated Retained	565	487
Buildings	610	535	Earnings		
Machinery, equip., tools					
			Total Shareholders'		
Total Property, Plant,			Equity	620	540
And Equipment	1,000	800			
Less accum. Dep.	(255)	(175)			
			TOTAL LIABILITES AND		
Net Property, Plant,			SHAREHOLDERS' EQUITY		
And Equip.	745	625			
TOTAL ASSETS	1,760	1,075		1,760	1,075

Look at the Sample Balance Sheet above, at the amount of accounts receivables, inventories, and property, plant, and equipment - all non-cash assets. One quickly realizes why the management of these assets is so important. One also realizes why so many companies are moving/selling non-cash assets and working with contract manufacturing, and why contract manufacturing is one of the fastest growing industries in the world today.

Useful Tips for Reading A Balance Sheet

- The Balance Sheet is a statement — as of a specific date, for example, December 31— of what the company owns (assets), what it owes in debts (liabilities), and the difference between these two (assets minus liabilities), which is called the stockholders' equity (net worth).
- The assets are always listed in order of liquidity — how fast they could be turned into cash.
- The assets are divided into short-term assets (cash, short-term investments, accounts receivable, inventory, and so on) and long-term assets (machinery and equipment [less depreciation], facilities, land and so on).
- The liabilities are always listed in the order in which the creditors would have claims against the assets should bankruptcy occur.
- Liabilities are broken into short-term liabilities — accounts payable, accrued payroll, short-term notes, and so on; and long-term liabilities — long-term debt, and so on.

The total of the stockholders' equity section of the Balance Sheet must always represent the total assets minus total liabilities, so the following equation is always in balance:
Assets - Liabilities = Stockholders' Equity

This is commonly shown as the basic accounting equation:
Assets = Liabilities + Stockholders' Equity

- The stockholders' equity components are always listed in the order in which the stockholders would be paid after the creditors if the company were liquidated. For example preferred stockholders would be paid before common stockholders.
- The retained earnings section of the stockholders' equity portion of the Balance Sheet represents the accumulation of all the profits and losses since the company's inception.
- Closing the books — when accountants talk about “closing the books” at month-end or year- end, they are referring to the accounting entry that “closes” the profit or loss for the year on the Income Statement and transferring this amount of profit or loss to the retained earnings portion of the Balance Sheet.

The Income Statement

The second type of financial statement is the Income Statement. This statement shows revenue (how much the company has earned year to date), Cost of Goods Sold (COGS) (how much it cost to produce the products sold), and Gross Profit (determined by subtracting the COGS from the revenue). All other expenses are included in the Sales, General, and Administrative Expenses (commonly referred to as SG&A). The net profit is determined by subtracting the SG&A expense from the Gross Profit.

Following is an example of an Income Statement.

Sample Income Statement (\$Millions)

	Current Year	Prior Year
Net Sales (Revenue)	2,000	1,600
Cost of Goods Sold and Operating Expenses		
Cost of goods sold	1,300	900
Gross profit	700	700
Sales, general, and administrative expenses (SG&A)	320	240
Operating Profit	280	460
Other Income (Expenses)		
Interest expense	(60)	(20)
Provision for Federal Income Taxes	(140)	(200)
Net Income	180	240

Useful Tips

For Reading An Income Statement

- The Income Statement shows net sales less expenses, with the difference between the two (hopefully) being a profit (revenues greater than expenses).
- Net sales result from the sales of items that have been shipped from the Master Schedule.
- If discounts or allowances for quantity sales and granted, these amounts would be subtracted from the revenue line, and the result would be Net Sales.
- The expenses are divided into the major categories of Cost of Goods Sold (COGS), then Sales, General, and Administrative Expenses.
- The COGS includes the cost of the goods manufactured, which is made up of direct material, direct labor, and factory overhead.
- The difference between Net Sales and COGS is called the Gross Profit. The SG&A includes all other expenses not included in Cost of Goods Sold.
- The expenses for selling the product, general administrative expenses, and all other expenses are subtracted from the gross profit to give the profit before taxes or the loss the company incurred for the current one-year period.

The profit (or loss) remaining after taxes is then transferred to retained earnings in the Balance Sheet when the books are closed for the year. The “books are closed.”