

Index

A

- 401(k)
 - Deductions, 327
 - Plan, 238–239
- A.M. Best, 280
- Accounting department measurements, 412–413
- Accounts payable
 - Audit tasks, 120
 - Best practices, 306–310
 - Controls, 103–105
 - Days, 82–83
 - Factory, 21–22
 - Payment delay, 213
 - Payment terms, 18
 - Prepayments, 18
 - Review, 400
- Accounts receivable
 - Audit tasks, 120
 - Collection acceleration, 213–214
 - Controls, 99–100
 - Factoring, 17, 215
 - Reduction of, 17
- Accrual reduction, 318
- Accumulated earnings tax, 43–44
- Acquiree valuation, 348–354
- Acquisitions, *See* Mergers
- Alliances, use of, 348
- Alternative Investment Market, 261–262
- Alternative minimum tax, 382
- American Stock Exchange, 258–259
- Anticipation survey, 189
- Arithmetic mean, 172–173
- Asset
 - Analysis report, 340
 - Due diligence, 417–418
 - Impairment testing, 103
 - Resale value, 351
 - Utilization measurements, 68–72, 404–40406

Audit

- Committee, 113–115
- Opinions, 116
- Auditor management letter, 401
- Auditor roles,
 - External, 115–117
 - Internal, 119–122
- Authentication, 373
- Automated Clearing House (ACH) payments, 17, 309, 316
- Average receivable collection period, 80

B

- Bad debt, approval of, 99
- Bank account consolidation, 316
- Bank reconciliations, 97–98, 201, 317–318, 400
- Bank relations, 211–212, 402
- Banking relationship, 14–15
- Bankruptcy
 - Act of 2005, 396
 - Alternatives, 396
 - Notices, 312
 - Process, 386–397
 - Reorganization plan, 392–393
 - Resolution, 387
 - Schedule of assets and liabilities, 389
 - Statement of financial affairs, 389
- Bar date order, 391
- Best practices, 306–329
- Bill of materials
 - Accuracy, 18, 100
 - Record access, 100
 - Updating, 322
- Billing
 - Audit tasks, 121
 - Best practices, 322–324
 - Errors, 201
 - Recurring, 17
- Blanket purchase orders, 107

- Boiler and machinery insurance, 277
- Bond
 - Catastrophe, 281
 - Coupon, 218
 - Investment in, 208
 - Refunding decision, 15–16
 - Registered, 218
 - Types, 219–220
- Bonus
 - Plans, 239
 - Sliding scale, 384
- Borrowing base, 210–211
- Brand acquisition report, 337
- Breakeven
 - Analysis, 181–186
 - Point, 71–72
- Bridge loan, 221
- Budgeting
 - Capital, *See* Capital budgeting
 - Process review, 402
- Building block approach, 58
- Business cycle forecasting, 186–191
- Business interruption insurance, 277, 375
- C**
- Capacity
 - Acquisition report, 337
 - Utilization, 176–181, 186–187
- Capital, cost of, 143–156
- Capital budgeting
 - Overview, 157–171
 - Post-completion project analysis, 169–171
 - Review, 400
 - Using throughput concepts, 39–40
- Capital investment proposal form, 167–169
- Captive insurance company, 279, 384–385
- Cash
 - Controls, 96–98
 - Flow analysis report, 345
 - Flow modeling issues, 164–165
 - Flow from operations, 76–77
 - Flow return on assets, 77–78
 - Forecasting model, 195–198
 - Management, 13–14, 195–205
 - Management outsourcing, 287–305
 - Measurements, 297–298, 407–408
 - Method of accounting, 44
 - Sweeping, 211
 - Theft of, 94
 - to working capital ratio, 78–79
- Catastrophe bonds, 281
- Certificates of deposit, 208
- CFO
 - Checklist, 399–403
 - Job description, 3–12
- Change management process, 8–9
- Channel stuffing, 201
- Chart of accounts
 - For subsidiaries, 319
 - Granularity, 23
- Check stock, control over, 96
- Claims administration, 282
- Coefficient of variation, 174
- Collateral trust bond, 219
- Collection
 - Best practices, 310–313
 - Effectiveness index, 80–81
 - Measurements, 298
 - Outsourcing of, 287–305
 - Review, 400
 - Stratification, 17, 312–313
- Commercial paper, 208
- Commercial property insurance, 277
- Commission
 - Best practices, 313–314
 - Calculation, 313
 - Payment terms, 17
- Committed Long-Term Capital
 - Solutions policy, 242–243
- Common stock, 226
- Comparables method, 239–240
- Compensation, deferred, 379–381
- Complexity analysis, 422, 347–348
- Compliance auditing, 121
- Comprehensive auto liability insurance, 277
- Comprehensive crime insurance, 277
- Consolidation method, 363–364
- Constraint management, 34–41
- Consumer price index, 189
- Contingent payments, 365–366
- Continuous link settlement system, 204–205

- Contract
 - Analysis report, 347
 - Approvals, 23
 - Audit tasks, 120
 - Outsourcing, 292–293
 - Renewal tracking, 110
 - Review, 400
 - Contractual obligation insurance, 375
 - Control systems
 - Accounts payable, 103–105
 - Accounts receivable, 99–100
 - Cash, 96–98
 - Construction of, 4
 - Cost of goods sold, 106–107
 - Elimination of, 111–112
 - Employee advances, 102
 - Fixed assets, 102–103
 - Inventory, 100–101
 - Investment, 98–99
 - Management of, 123–124
 - Need for, 93–94
 - Notes payable, 105–106
 - Occupancy, 110
 - Payroll, 108–110
 - Revenue, 106
 - Review, 401
 - Travel expenses, 107–108
 - Controller
 - Outsourcing responsibilities, 303
 - Relationship with CFO, 11–12
 - Responsibilities, 10
 - Conversion rights, 229
 - Convertible bond, 219
 - Convertible security issuance decision, 24–25
 - Core growth rate, 73–74
 - Cost method, 361
 - Cost of capital, 143–156
 - Cost of debt, 144–145
 - Cost of goods sold controls, 106–107
 - Costing review, 402
 - Credit card
 - Funding, 214
 - Payments, 17, 19
 - Purchase limitations, 104
 - Statement auditing, 104
 - Credit memo controls, 100
 - Credit rating agencies, 212
 - Creditors
 - Claims, 388
 - Committee, 387
 - Crisis management team, 273–274
 - Customer credit approval, 310
 - Customer service strategy, 61
 - Cycle counting, 320
 - Cyclical indicators, 190
- D**
- Dashboard, 60
 - Data extortion insurance, 375
 - Days of working capital, 69–70
 - Debenture, 219
 - Debt
 - Acquisition decision, 23–24, 25
 - Audit tasks, 120
 - Controls, 105–106
 - Cost of, 144–145
 - Coverage ratio, 84–85
 - Financing, 210–225
 - Refinancing decision, 24
 - Debt-equity hybrid, 221
 - Deferred compensation, 379–381
 - Deferred interest bond, 219
 - Demand rights, 229
 - Depreciation controls, 103
 - Direct access notes, 214
 - Direct deposit
 - Controls, 109
 - Payments, 327
 - Directors and officers insurance, 278
 - Disclosure
 - Reporting of, 25
 - Review, 402
 - Divestiture decision, 33–34
 - Dividend
 - Issuance decision, 27–28
 - Payout ratio, 89–90
 - Document
 - Archiving system, 314
 - Imaging system, 314
 - System review, 403
 - Dominion Bond Rating Service, 212
 - Due diligence checklist, 414–422

E

Early payment discounts, 17, 21, 203–204

Econometric model, 190

Economic development authority loan, 221

Economic value added, 87–88

EDGAR filing system, 137–139

Electronic

- Commerce, 368–376
- Data interchange, 306, 323

Employee

- Advances, 102
- Bonds, 111
- Compensation, 379–385
- Due diligence, 417
- Review, 401
- Trade-offs, 214–215

Employee Retirement Income Security Act, 380

Encryption, 373

Endogenous variable, 187

Engineering design changes, 201

Enterprise resources planning system, 59–60

Equity

- Cost of, 145–148
- Financing, 226–244
- Funding decision, 25–26
- Method, 361–363
- Offering decision, 26

Escalating price options, 383

Ethics, code of, 119

Exempt trust, 379

Exogenous variable, 187

Expected commercial value, 166

Expense report

- Abuse, 94
- Audit tasks, 120
- Auditing, 108, 306–307

Explosive sales growth strategy, 60–61

F

Factoring, 17, 215

Field warehouse financing, 215–216

Filing best practices, 314–316

Finance best practices, 316–317

Financial reporting

Best practices, 317–319

Due diligence, 418

Measurements, 298–299

Misrepresentation, 94–95

Financing

Debt, 210–225

Equity, 226–244

Firewalls, 374

First day orders, 389

Fitch credit rating agency, 212

Fixed asset

Audit tasks, 120, 338–339

Controls, 102–103

Disposals, 103, 203

Leasing decision, 20

Post-implementation review, 102

Theft, 95

Flash report, 400

Floor planning, 216

Floor stock, 321

Floorless bond, 219

Forced ranking approach, 58

Forecasting

Business cycle, 186–191

Cash, 195–205, 399

Sales, 201–202

Foreign exchange

Exposure reduction, 13–14

Risk, 5

With continuous link settlement system, 204–205

Form

144, 263

Capital investment proposal, 167–169

SEC, 133–137

Fraud, types of, 94–95

Fronting program, 280

Funds investment, 206–209

G

General ledger best practices, 319–320

General liability insurance, 278

Gross domestic product, 189

Gross profit percentage, 74

Guaranteed bond, 219

H

Heavenly parachute, 383
 Hedging techniques, 205
 Host hardening, 374
 Housing starts, 189
 Human resources due diligence, 421
 Hurdle rate, 157–158

I

Incentive stock option, 382
 Income bond, 219
 Incremental cost of capital, 150–151
 Information technology strategy, 55–63
 Initial public offering, 245–263
 Inland marine insurance, 278
 Insurance types, 277–279, 374–375
 Intercompany transactions, 364–365
 Internal auditor

- Measurement of, 299
- Outsourcing of, 287–305
- Reports, 401
- Role of, 119–122

 Internal rate of return, 161–163
 Internet liability insurance, 375
 Intrusion detection, 374
 Investment controls, 98–99
 Inventory

- Aging review, 403
- Audit tasks, 120
- Best practices, 320–322
- Controls, 100–101
- Customer-owned, 101, 322
- Cycle counting, 320
- Obsolete, 101, 203
- Reduction of, 19–20, 216–217
- Storage consolidation, 18
- Tax impact of, 45
- Theft, 95
- Turnover, 81–82

 Investment

- Bankers, 356
- Criteria, 206
- Guidelines, 207
- Options, 208–209
- Measurements, 299
- Report, 208
- Restrictions, 207–208

 Invoicing, *See* Billing

J

Journal entry standardization, 319
 Just-in-Time manufacturing, 18, 203, 217

K

Key man life insurance, 284–285

L

Labor seasonality, 32
 Lease

- Capital, 217
- Operating, 217
- Versus buy decision, 20

 Legal analysis report, 347
 Lender relations, 402
 Leveraged buyouts, 366–367
 Liability

- Acquisition report, 341
- Due diligence, 418

 Life insurance, 381
 Line of credit, 218
 Liquidation preference, 230
 Liquidity measurements, 79–83, 408–410
 Lloyds of London, 279
 Loans

- Asset based, 218
- Bridge, 221
- Covenants, 23
- Long-term, 222
- Short-term, 223
- Types, 215–223

 Lockbox, 17, 97, 202
 Low-cost strategy, 62

M

Make versus buy decision, 40–41
 Management best practices, 324–325
 Manual check payments, 308
 Margin of safety, 72
 Market performance measurements, 90–92, 411–412
 Material requirements planning, 18, 203, 216–217
 Measurement

- Accounting department, 412–413

Asset utilization, 68–72, 404–406
 Cash flow, 76–79, 407–408
 Liquidity, 79–83, 408–410
 Market performance, 90–92,
 411–412
 Operating performance, 72–76,
 406–407
 Outsourcing, 297–303
 Return on investment, 85–90,
 410–411
 Solvency, 83–85, 410
 Median, 173
 Mergers
 Accounting for, 356–365
 Reverse, 256–257
 Synergy evaluation, 354–355
 Target evaluation, 330–347
 Tax impact of, 45–46
 Terms of, 355–356
 Valuation of, 348–354
 Mezzanine financing, 222
 Mode, 173
 Money market funds, 208
 Money supply, 187
 Moody's credit rating agency, 212
 Mortgage bond, 219
 Mutual insurance companies, 279

N
 NASDAQ stock exchange, 259–260
 National Association of Securities Deal-
 ers, 254
 Nationally recognized statistical rating
 organization, 212
 Natural hedging techniques, 205
 Net operating loss carryforwards, 23,
 46–47, 339
 Net present value, 159–161, 240
 Net profit percentage, 75–76
 Nexus, 47–48
 New York Stock Exchange, 260–261
 Nonqualified plan, 380
 Nonqualified stock option, 382
 Nonstatutory stock option, 383

O
 Object-oriented programming, 60
 Obsolete inventory, 101, 203

Occupancy controls, 110
 Offering memorandum, 228–239
 Open IPO, 256
 Open standards, 59
 Operating performance measurements,
 72–76, 406–407
 Operating profit percentage, 75
 Operational auditing, 121
 Outsourcing of accounting, 287–305
 Over the Counter Bulletin Board, 262
 Overallotment option, 252–253
 Overtime controls, 108

P
 Patent acquisition report, 336
 Payback period, 158–159
 Payment factory, 21–22
 Payment terms, 18
 Payoff approach, 58
 Payroll
 Audit tasks, 121
 Best practices, 326–329
 Controls, 108–110
 Due diligence, 421
 Measurements, 299–300
 Outsourcing of, 287–305
 Pension
 Administration, outsourcing of,
 287–305
 Measurements, 300–301
 Personnel
 Acquisition report, 336
 Review system, 4
 Petty cash
 Audit of, 96
 Contact alarm, 97
 Pink sheets, 262–263
 Policies
 Manual, 324
 Review of, 402
 Risk management, 271–272
 Portfolio approach, 58
 Post-completion project analysis,
 169–171
 Practical capacity, 181
 Preemptive rights, 230–231
 Preferred stock, 223–225, 226–227
 Premium grant, 383
 Price/earnings ratio, 91–92

Pricing, transfer, 50–52
 Private investment in public equity, 242
 Privatization, 264–268
 Process improvement, 7
 Procurement cards, *See* Purchasing cards
 Procedures
 Manual, 324
 Risk management, 275–279
 Producer price index, 189
 Product
 Design errors, 5
 Elimination decision, 28–31
 Improvement strategy, 61
 Profitability analysis report, 343
 Project costing, 48
 Purchase method, 357–361
 Purchase order financing, 222
 Purchasing cards, 309
 Purchasing catalog, 308
 Push-down accounting, 366

Q

Qualified plan, 379
 Quality of earnings ratio, 92
 Quick ratio, 83

R

Rabbi trust, 380
 Rabbicular trust, 381
 Receiving inspection, 100
 Reciprocal insurance organization, 279
 Recurring payments, automation of, 307, 317
 Refinancing decision, 24
 Registration rights, 229
 Regulation
 FD, 132–133
 S-B, 131–132
 S-K, 130–131
 S-X, 127–130
 Relational databases, 60
 Reorganization plan, 392–393
 Report
 Acquisition analysis, 335, 336, 337, 340, 341, 343, 345, 347
 Capacity utilization, 179
 Flash, 400

Internal audit, 401
 Investment, 208
 Risk management, 284
 Sales, 400
 Securities and Exchange Commission, 125–139

Repurchase agreement, 208–209
 Research and development
 Due diligence, 420–421
 Funding decisions, 154–166
 Return on assets
 Employed, 85–86
 Maximization of, 15
 Return on equity, 86–87
 Return on investment measurements, 85–90, 410–411

Revenue

Controls, 106
 Due diligence, 417

Reverse merger, 256–257, 361

Risk

Analysis, 172–176
 Management, 271–286
 Matrix, 274
 Mitigation, 4–6
 Review, 402

Rule 13E-3, 264–265

S

S corporation, 48–49
 Sale and leaseback, 225
 Sales

Backlog ratio, 70–71
 Due diligence, 420
 Forecast, 201–202
 Per person, 70
 Report, 400
 Tax, 49–50

Sales to stock price ratio, 90–91
 Sales to working capital ratio, 68
 Sarbanes-Oxley Act, 117–119
 Schedule of assets and liabilities, 389
 Schedule of financial affairs, 389
 Secular trust, 381
 Secured claims, 388
 Securities Act of 1933, 126
 Securities and Exchange Commission, 125–139

- Securities Exchange Act of 1934, 126–127
 - Self insurance, 279–280
 - Serial bond, 219
 - Serial number database, 103
 - Shareholder value
 - Enhancement, 153–155
 - Pursuit of, 4
 - Shares, *See* Stock
 - Signature
 - Cards, 98
 - Plates, 96
 - Stamp, 310
 - Skimming controls, 98
 - Small Business Administration loans, 222
 - Small Corporate Offering Registration, 257
 - Solvency measurements, 83–85, 410
 - Spend management systems, 22–23
 - Spin-off transactions, 367
 - Standard & Poor's credit rating agency, 212
 - Standard deviation, 174
 - Step costing, 31, 183
 - Stock
 - Appreciation rights, 381–382
 - Buy back, 243–244
 - Common, 226
 - Company, 279
 - Delisting, 268
 - Exchanges, 257–262
 - Options, 382–384
 - Preferred, 223–225, 226–227
 - Private placement of, 227
 - Registration, 253–255
 - Restrictions, 263
 - Subscriptions, 242
 - Transfer agent, 332
 - Valuation, 352
 - Warrants, 241
 - Storage consolidation, 18
 - Supplier
 - Kickbacks, 95
 - Management, 296–297, 303
 - Master file, 105
 - Payment terms, 202
 - Reduction, 60
 - SWOT analysis, 234–237
 - Synergy analysis, 354–355
- T**
- Tax
 - Accumulated earnings, 43–44
 - Credits, 42
 - Deduction acceleration, 42
 - Deferrals, 43
 - Liabilities in a bankruptcy, 394–395
 - Measurements, 301
 - Sales and use, 49–50
 - Unemployment, 53
 - Temporary labor hiring decision, 31–33
 - Tender offer, 243
 - Three-way matching, 307
 - Throughput costing, 34–41
 - Time clock, computerized, 326
 - Time series model, 190
 - Times interest earned, 84
 - Title search company, 333
 - Training schedule, 324, 401
 - Transaction
 - Measurements, 301–303
 - Processing, outsourcing of, 287–305
 - Transfer pricing, 50–52
 - Travel expense controls, 107–108
 - Treasury due diligence, 421–422
 - Turnaround specialist, 388
- U**
- Underwriter, 250–253
 - Unemployment
 - Rate, 189
 - Taxes, 32, 53
 - Union agreements, 32
 - United States Treasury notes, 209
 - Universal payment identification code, 105
 - Use tax, 49–50
- V**
- Valuation methods, 239–241
 - Variable rate bond, 219
 - Variance analysis, 318

Vendor, *See* Supplier
Venture capital method, 240–241
Voting rights, 230
Vulnerability testing, 374

W

Warehouse access, 101, 321
Warrants, 241
Whistleblower protection, 119

Workers' compensation insurance, 279
Working capital reduction, 17–19

Z

Zero balance accounts, 202, 317
Zero coupon
 Bond, 219
 Convertible bond, 220

