

What does an executive need to know about accounting?

Is it hard to understand what your CFO is saying through all the jargon? Check out IESE professors Fernando Pereira and María Jesús Grandes' updated guide.

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Can you interpret a balance sheet and a profit and loss account? Do you know what a cash flow statement is? Do you know the exact value of the company you are running? Would you like to know if its fixed costs could be adjusted?

Understanding your company's accounting helps you to make important strategic decisions regarding funding and investment opportunities. It is also key to deciding if the time is right to launch a particular product or service onto the market.

Accounting is a fact of business life, but many executives have a hard time cozying up to it. It is an area that even experts describe as difficult and tedious. [The 2015 manual](#) by IESE professors [Fernando Pereira](#) and [María Jesús Grandes](#) is designed with overcoming this difficulty in mind. Both authors draw on their extensive experience developing many different programs at IESE. (Pereira was IESE's dean from 1970 to 1978.)

The result is a book that was 45 years in the making, refined some 24 times since Pereira's first edition was published in 1970.

An easier-to-digest manual

But the many subsequent editions had resulted in lengthy additions taking up lots of extra pages. In the 2015 edition, the authors aimed to create a focused manual that was significantly shorter. The two sections covering costs and planning and control have been

removed, resulting in a leaner volume with a clear focus on financial accounting.

The new edition also features a more modern format with sleeker graphic design that is not only visually appealing but organizes the space more effectively as a manual.

Essential accounting concepts are clearly illustrated with examples and models, aimed at demystifying financial statements.

Competent executives know that the decisions they make today will affect their company tomorrow. Developing plans, setting goals and choosing strategies are key to leading a business to success.

But before any plans can be made, profitability begins with conducting an effective analysis of the company's past and present. And this "snapshot" can only be achieved by putting things in economic terms. Like it or not, you've got to engage with accounting.

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