Finance For The Non-Financial Manager

4th Edition by Herbert T. Spiro

Breakeven analysis is widely use as a method of managing finances in most managerial affairs. It is very useful in finding differences between fixed and variable costs, and is highly recommended whenever the contribution margin per unit is positive. Break-even point corresponds to the level of profits, which are the equivalent of the fixed and variable expenses on the specified quantity of production. Frequently, most financial claims are consist of cash break-even analysis and an assessment of long-term financing options. Break-even analyses are similarly appropriate in managerial problems dealing with non-profit organizations.

Distribution of existing finances to endeavors, which guarantee profits in the future, is a major concern of the management, both in profits-oriented and non-profit organizations. This analysis is named *capital budgeting*; which uses both the mathematics of finance and the decision rules. The vital requisite on these analyses is the cautious mind in checking data estimation. The analysis should scale the costs and benefits with regards to the inflows and outflows directly related with the project. Nevertheless, the source of financing the project, whether the funds used are internal or external, does not affect the decision. Discount rates applied depend on the risk-free rate, furthermore an regulation for project risk. The computer's permission on testing the changing assumptions depends on the desirability of capital expenditures.