

# MBA-SKETCHNOTES

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## CHAPTER 1

### INTRODUCTION

I'VE WANTED to get an MBA for some time. I began studying for the GMAT while finishing up the last classes I needed for my BS in Computer Science at BYU. I thought I would jump into the business program and leverage those skills to help businesses, but the timing wasn't right. I joined a fast-moving company and for the next four years I was teaching classes, programming, a lead developer on a couple projects, going on sales calls and traveling one week out of every month.

And I got married.

There was no time for additional education with the career demands, growing family and church activity as well. As it was, I was getting to bed sometimes at 11 am and getting out the door by 7. Education would have to wait.

Twenty years later I found myself enrolled in the executive MBA program at BYU. In some respects, I regret not going through the program earlier, but as I look back at the experiences, I wouldn't change a thing.

But enough about me. What about this book?

For the first few months in the program I was overwhelmed, but

then something clicked. I began asking myself, "What can I do that will be of value to the people in this room? How can I serve them and help them?"

I've dabbled off and on with sketchnotes in the past. I tried doing things in Penultimate for a while, but it never really gelled. I saw some of the work done by Ben Norris and figured I'd give it another try. So, halfway through the first semester I earnestly began sketching what I was learning in the lectures. I'd then post them into our slack instance for the cohort. I received a lot of positive feedback and that motivated me to keep going.

At the end of the first year I then have gone back through the posted notes for the classes and updated my notes to include things which I feel would be worth referring back to. The idea is to create a resource I could refer back to to refresh my understanding of concepts and key points to each of the classes in the program. Combine this with the excellent Visual MBA by Jason Barron and I think you will have a great resource for many of your business needs.

## CHAPTER 2

### RESIDENCY WEEK 1

#### PROGRAM INTRO

BEFORE GETTING into the meat of the program, we had a couple of overview lectures. In this one we learned the objectives and philosophy around the BYU MBA program. We also learned of a few people who are alumni of the program.

## BYU Program Intro

Time  
Studying

Value



determines



undergrad programs give  
you a playbook



grad program gives you  
heuristics/patterns



### Case Studies

case studies attempt to find  
framework that can help  
solve problems in the future



When studying cases,  
ask the right questions

Do cases suffer  
from survivor bias?

Cases are not good for

- current best practices
- current events

Good for

- asking questions
- ability to filter noise
- what would you do in their shoes

Use the tools to build your  
team and help them be  
better than you

Pres Manson got an  
eMBA from BYU in 1974  
he would study between  
10 pm - 1 am

D+C 88:133  
be fixed and immovable  
in brothership and love

BYU is designed to be 1st class  
academically while also  
focused on faith in God



faculty could be  
at Harvard Berkshire  
Stanford



faith  
hope  
charity

foundation  
of  
BYU

excellence  
in  
academics

Many Major Universities  
were started by  
people of faith, but  
have abandoned them...  
except:

BYU  
Notre Dame  
Baylor

who are you accountable  
to?

- organization
- spouse/family (adults)
- children (youth)

you will leave a legacy  
to your children...  
make it a good one

PART 1

SEMESTER 1



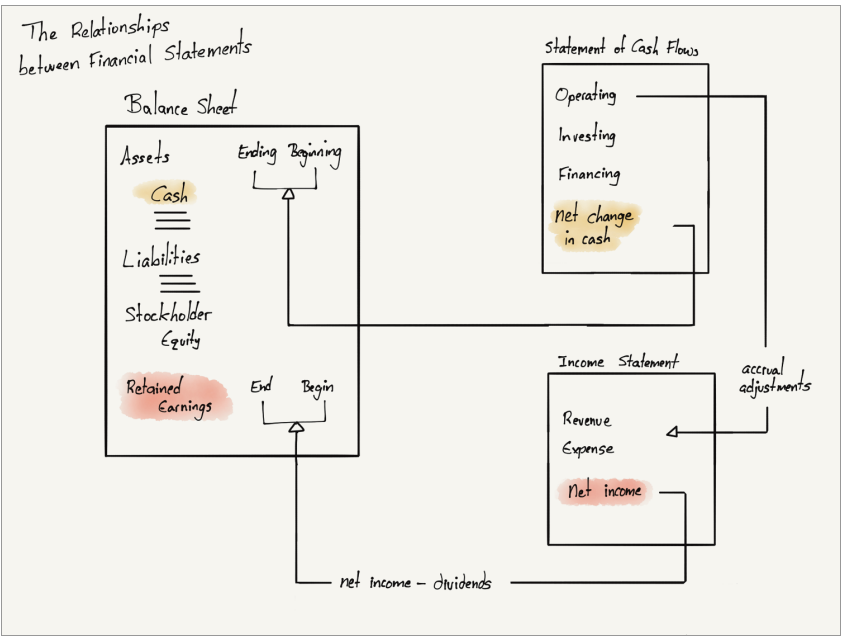


## CHAPTER 1

### EMBA 504-CORPORATE FINANCIAL REPORTING

#### THE THREE FINANCIAL **Statements**

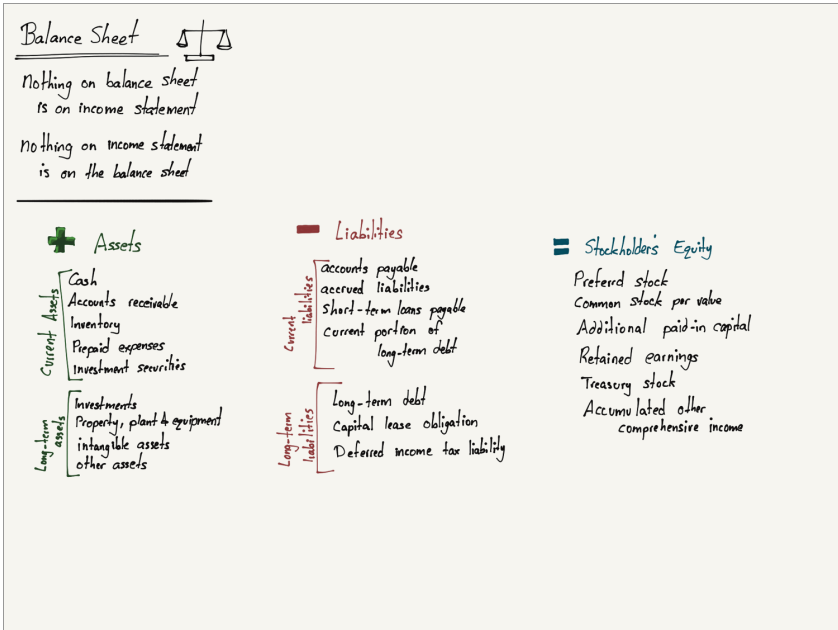
In business there are three major financial statements: The Balance Sheet, the Statement of Cash Flows and the Income Statement. Each of them has a different purpose and they are all related to one another. The graphic below shows their relationships.



**The Balance Sheet**


The Balance Sheet has been around for centuries and is the oldest of the financial statements. It is based on the idea that the total amount of your Assets (A) should equal your Liabilities (L) & the Stakeholder's Equity (E) in the company.  $A = L + E$ . If that equation doesn't balance, then there is something wrong in your sheet.

The graphic below shows the common elements in the balance sheet and how they are categorized.



## The Income Statement

If you do not have income, then you will not be in business for very long. The income statement follows the general format displayed in the graphic below.

<u>Income Statements</u> Include gains & losses from the sale of land and equipment Note: assets + liabilities are in balance sheet prepaid expenses = asset unearned revenue = liability	
	Sales - Cost of Goods Sold <u>Gross Profit</u> - Other operating Expenses + Gains - Losses <u>Operating Income</u> - Income Expense +/- Misc. revenue, expenses, gains and losses <u>Income before taxes</u> - Income tax expense <u>Income from Continuing Operations</u> +/- income from discontinued operations +/- extraordinary items <u>Net income</u> +/- unrealized gains & losses not included in Net Income <u>Comprehensive Income</u>
	basic format for the Statement 

**Gross Profit:** The amount of money you have to cover all your expenses after you factor in the sales you made and their cost.

**Operating Income:** You can do all kinds of things when running a business, including buying and selling buildings, as a part of the every day running of the business. These are called Operating Expenses. What you have left over after those transactions is called "Operating Income"

Taxes are a normal part of life. After subtracting taxes and any other normal expenses you have "Net Income." When people typically talk about "the bottom line" they are talking about Net Income. It's usually the last thing on the income statement and should reflect the actual income you have in the company from doing business. Net income flows to the balance sheet and is reflected there as retained earnings after subtracting any dividends paid.

## The Statement of Cash Flows

The Statement of Cash Flows is the third major financial statement. It is also the most recently developed.

Statement of Cash Flows elements		
Operating Activities	Investing Activities	Financing Activities
<ul style="list-style-type: none"> <li>receipts from               <ul style="list-style-type: none"> <li>sales of goods or services</li> <li>sale of trading securities</li> <li>interest revenue</li> <li>dividend revenue</li> </ul> </li> <li>payments for               <ul style="list-style-type: none"> <li>inventory purchases</li> <li>wages &amp; salaries</li> <li>taxes</li> <li>interest expense</li> <li>other expenses (rent, utilities)</li> <li>purchase of trade securities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>receipts from               <ul style="list-style-type: none"> <li>sale of plant assets</li> <li>sale of business segment</li> <li>sale of nontrading securities</li> <li>collection of principle on loans</li> </ul> </li> <li>payments for               <ul style="list-style-type: none"> <li>purchase of plant assets</li> <li>purchase of nontrading securities</li> <li>loans to other entities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>receipts from               <ul style="list-style-type: none"> <li>issuance of stock</li> <li>borrowing (bonds, notes, mortgages)</li> </ul> </li> <li>payments for               <ul style="list-style-type: none"> <li>cash dividends</li> <li>repayment of loans</li> <li>repurchase of stock (treasury stock)</li> </ul> </li> </ul>

## Important Ratios

When analyzing a company, ratios can give you a better idea of how the company is doing. Just having the raw numbers is nice, but the ratios can really help you zero in on where the company is doing well and where it may need some help.

<u>Important Ratios</u>		
Debt Ratio	$\rightarrow \frac{\text{Total Liabilities}}{\text{Total Assets}}$	% of funds needed to purchase assets that were obtained through borrowing
current ratio	$\rightarrow \frac{\text{Current Assets}}{\text{current Liabilities}}$	measure of liquidity; number of times assets could cover liabilities
return on Sales	$\rightarrow \frac{\text{net income}}{\text{Sales}}$	number of pennies earned during the year on each dollar of sales
asset turnover	$\rightarrow \frac{\text{sales}}{\text{total assets}}$	number of dollars of sales during the year generated by assets
return on equity	$\rightarrow \frac{\text{net income}}{\text{Stock holder equity}}$	pennies earned for each dollar invested
price-earnings ratio	$\rightarrow \frac{\text{market value of Shares}}{\text{net income}}$	amount investors are willing to pay for each dollar of earnings shows growth potential
earnings per share	$\rightarrow \frac{\text{net income}}{\text{number of shares}}$	dollars earned for each outstanding share

## The DuPont Framework

The DuPont framework was created at DuPont in the early 1900s as a way to track different aspects of the company. Profit, Efficiency and Leverage, when combined together give us the Return on Equity ratio.

Return on Equity  
and the DuPont Framework

$$ROE = \frac{\text{Net Income}}{\text{Equity}} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

Profit      Efficiency      Leverage



## Common sized Statements and Pro Formas

Common sized financial statements are the best way to compare companies and are also used to find out where problems may be. It is hard to compare a company like Walmart to your local retailer or even Amazon for that matter. With common sized financial statements you can say that the "best" companies have specific financial mixes. It makes it easier to grade each company and see where things can be adjusted to make them better.

You can also use common sized financial statements to compare a company against its past performance. In this way you can tell of you are really growing as a company, or if things are getting worse.

Finally, creating common-sized financial statements are the first step in the process of forecasting how you expect a company to do in the future. The financial statements that forecast the future are called "pro forma" statements.

Accounting /

### Common-sized Statements

How do you compare?

vs

Common-sized statements

income statement -> divide most line items by sales.

Expense	vs	Expense
\$		\$
.37	vs	.10

little company may be doing better?

### Pro Forma

used to predict the future if things don't change

past now future

cloudy the future is

base future growth on ratios from past

can predict future revenue and then it's just like a common sized statement

ratios

future sales

ratios

sales

can also use average of ratios it's all a guess!



## PART 2

### OTHER MATERIAL

During my time in the program, we had many opportunities to participate in extra seminars, conferences or lectures. I tried to take as much advantage of these chances as I could. The notes in this section are a result of those extra opportunities.



## NETWORKING USING LINKEDIN

The BYU MBA Alumni Manager, David Jungheim, does a lot with LinkedIn. He was asked by our class presidency to give a presentation on how to use LinkedIn to network better with other people. Here are the highlights from that presentation. He also creates sculptures out of Legos as a side business. If you have a chance, check it out.

Networking 3 Nov 2017

3 degrees of Networking

★ Lowest  
"what's in it for me"

☾ Middle  
"I help you, you help me"

☀ Highest  
"I think you two should meet"

LinkedIn 

Use pictures

Use "at work" version

Make picture match your  
ideal

## HEADLINE

headline should speak to your  
specialty

Try and include key words

## Summary

Tell a story  
What makes you different

Should have a Call to Action



Skill & Written Endorsements  
are very useful

Do little things that add value



Do not feel obligated  
to accept invites