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Book Review

Financial Management for Small Businesses, Financial Statements & Present Value Models, 2nd Open Edition. By Lindon Robison, Steven Hanson, and J. Roy Black. Michigan State University, East Lansing, 2021. Available online at <https://openbooks.lib.msu.edu/financialmanagement/>.

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Financial Management for Small Businesses, Financial Statements & Present Value Models, 2nd Open Edition by Lindon J. Robison, Steven D. Hanson, and J. Roy Black has been published under an open license. The book was developed as a financial management textbook that comprehensively treats finance topics for an Agribusiness Management (ABM 435) course at Michigan State University. ABM 435 is intended for juniors and seniors who have an accounting background and an intermediate microeconomics or managerial economics background. The book does assume some calculus knowledge.

The textbook is divided into five major sections, each of which could stand alone or be combined with any of the other sections. The sections include management; strengths, weaknesses, opportunities, and threats (SWOT); present value models; homogeneous measures; and present value model applications.

The management section includes chapters on financial management and the firm, alternative forms of business organizations, the Federal tax system, and managing risk. One of the positive aspects of each chapter throughout the textbook is the discussion of the learning goals and learning objectives. Each chapter concludes with a summary of the material covered followed by questions to measure the mastery of the concepts. Another helpful feature available throughout the textbook is shaded boxes that highlight key concepts for readers.

The second section covers SWOT. The chapters in this section include financial statements, ratios, and system analysis. While not the traditional construct that many attribute to SWOT analysis, the framework is useful to think through a firm's financial health. Certainly, understanding the strengths, weaknesses, opportunities, and threats of the financial situation of a firm is important and the application of SWOT to this is helpful. The financial statement development covers farm concepts using a horticultural operation example along with using nonfarm examples. Once financial statements are developed, system analysis is used to determine what-is the financial situation, and "what-if" analysis to consider the future financial implications of alternative management decisions. This second section provides many tools readily incorporated into Microsoft Excel to enhance the capabilities for forward-looking analysis.

The third section of the textbook covers present value models. Chapters include present value models for accrual income statements, incremental investments, and forecasting. This section is quite Microsoft Excel-based and covers alternatives to the net present value model including internal rate of return and payback methods. Several numerical examples are provided, along with the equation-based development of the concepts so students can apply them immediately to build confidence in their understanding.

The fourth section includes ranking investments and homogeneous measures, homogeneous sizes, homogeneous terms, homogeneous tax rates, and homogeneous liquidity and currency. This section covers issues such as consistent ranking among investments that have different initial investments, different economic lives, different tax rates, and different currencies. One of the concepts often missing from agribusiness finance texts is the coverage of investments in different currencies. The discussion of this was well done.

The fifth section of the textbook covers present value model applications. The chapters include loan analysis, land investments, leases, financial investments, yield curves, and “econs and humans.” The first five chapters cover more numerical examples, whereas the “econs and humans” chapter covers behavioral finance concepts. Adding discussion of stocks and bonds in the textbook helps expand its applicability to broader audiences. In addition, the discussion of yield curves and behavioral finance topics broadens the appeal of the textbook. The concepts can be easily applied using Microsoft Excel.

Financial Management for Small Businesses, Financial Statements & Present Value Models, 2nd Open Edition, should be considered for junior, senior, and master’s level financial management courses. It covers relevant topics important to financial management for both those individuals who are interested in farm management along with those who will spend their careers in the small business sector. The use of Microsoft Excel to illustrate the concepts is well done. The open license also is a positive aspect of the textbook. It certainly will increase the reach of the material. In addition, the open licensing should facilitate the development of other electronic materials for instructors so they would consider adopting the textbook for their classes.

A couple possible concerns that could detract students at other universities are a few references to ABM 435 and the heavy use of abbreviations. While the abbreviations are defined in an abbreviations and variables section, it may cause the exposition to be more complex for some reader’s tastes who are trying to master the financial concepts while, at the same time, trying to master the abbreviations.

Overall, *Financial Management for Small Businesses, Financial Statements & Present Value Models, 2nd Open Edition*, is a well written textbook that meets the needs of those wanting an understanding of the development of financial concepts and meets the needs of those wanting a practical application of the concepts to enhance their financial management decision-making. The text is modular enough that topics can be customized to the needs of the instructor. The textbook fits the needs of those teaching courses where there is heterogeneity in career interests.