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What's Behind the Numbers?: A Guide to Exposing Financial Chicanery and Avoiding Huge Losses in Your Portfolio (Business Books)

John Del Vecchio, Tom Jacobs

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“[An] informative book. . . . Written in lively prose.”

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*A Guide to Exposing
Financial Chicanery and Avoiding
Huge Losses in Your Portfolio*



WHAT'S BEHIND THE NUMBERS?

JOHN DEL VECCHIO
AND TOM JACOBS

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John Del Vecchio, Tom Jacobs : What's Behind the Numbers?: A Guide to Exposing Financial Chicanery and Avoiding Huge Losses in Your Portfolio (Business Books) before purchasing it in order to gage whether or not it would be worth my time, and all praised What's Behind the Numbers?: A Guide to Exposing Financial Chicanery and Avoiding Huge Losses in Your Portfolio (Business Books):

3 of 3 people found the following review helpful. Very useful book
By CJ Writer
This book does a great job of exposing very subtle methods that companies employ to manipulate the earnings, inventory, cash flow and revenue numbers. What struck me most was how many inventive ways companies have concocted to keep up appearances, particularly surrounding revenue. The authors very effectively dispel the myth that top line is hardest to fudge. They also do a nice job of keeping the material balanced, so you don't need to be a CPA to comprehend it, nor does it get so trivial to render the information useless ; a common complaint I've had with other stock market investing books. Further, the technical analysis section provides an unemotional look at market trends, and gives some extremely simple indicators to assist in the decision to exit stocks and head for cash or bonds. Again, the authors don't overdo it , they've achieved a happy medium of keeping the material useful, uncomplicated, yet interesting. In conclusion, I'd recommend this book for those who have the inclination to spend a little time understanding what they own and when to own it, as I believe adopters of the book's philosophies will reap large benefits over a lifetime of investing.

1 of 2 people found the following review helpful. Interesting book for the Accounting-minded investor
By paul kluskowski
"What's Behind the Numbers?" is a great read for two categories of people. First, it is very informative for those people with an active interest in fundamental stock analysis. The authors do a nice job of revealing common warning flags in key parameters such as revenue recognition and inventory management/valuation. Second, people with any intention of buying a stock should at least read Chapter 1! This chapter provides a factual basis for reasonable expectations relative to stocks and stock investing. I found it to be a well-rounded presentation of the realities facing anyone who invests in stocks and the challenges to be faced.

9 of 11 people found the following review helpful. 7 Good chapters, 2 Out of place ones
By Kindle Customer
As a book on earnings quality, this book dives into some good methods of detecting quality of earnings, particularly with revenue, inventory management, and cash flow. The issues regarding aggressive revenue recognition have been covered in both "Quality of Earnings" and "Financial Shenanigans." However, the authors handle the inventory inspection aspect of the book very well, detailing positive and negative inventory convergence, and how to interpret the inventories. Definitely worth reading just for their take on inventory, as they go into more details than both "Quality of Earnings" and "Financial Shenanigans." The section on cashflow was also informative, particularly the part on comparing EBITDA margin to OCF margin, and when EBITDA should and shouldn't be used. However, the book is not without its drawbacks. The portion of working capital management isn't very clear, and the charts accompanying that section provide little insight into what the authors are referring to regarding "proper" and "improper" working capital management (although they do point out that using the cash conversion cycle is a good indicator of working capital efficiency). The section on cash and accruals is amazingly short for a book about quality of earnings, no mention of how to measure accruals relative to cashflow or assets besides "Cash EPS should exceed or equal net income," and then lists what accruals are, without any further discussion. My biggest issue is that the authors rarely give absolute values of what to look for (What would you suggest is a high percentage of goodwill and intangibles to total assets? Of depreciation and amortization to fixed assets? How much of a percent change in DSO/DSI/etc. would be a red flag? What is too high an amount of inventories as a percentage of revenues from one quarter to the next?), but rather simply states to watch for trends and increasing/decreasing percentages, without any further clarification. Perhaps the biggest flaw of the book was chapters 7 and 8, which deal with technical analysis and market timing. Both chapters were not only out of place for a piece on earnings quality, but offered only an introduction of sorts to both investing techniques. In my own experience I rarely ever use technical analysis (so maybe I'm biased here), but market timing should only be used by those that have a thorough understanding of the political macroeconomy, there's simply not much of value within the 20 pages or so of each topic. Given how much the authors talked about compiling a long/short portfolio, these chapters would've been better used to discuss how to identify potential short candidates, rather than discussing 50-day moving averages and whatnot. Totally out of place in a book that for the first 6 chapters focused solely on the fundamentals. Overall, the sections on inventory management and cashflow analysis are certainly worth the purchase, but the fact that 15% of the book is spent discussing topics that have no real relation to earnings quality, on top of their rather vague guidelines on what to look for are ultimately what holds this book back. I would read this in tandem with "Quality of Earnings" and "Financial Shenanigans" for a more complete picture on "quality of earnings."

Learn how to detect any corporate sleight of hand and gain the upper hand with smart investing
Investing expert John Del Vecchio and "Motley Fool"; Tom Jacobs offer a compelling argument that the secret to stock-market success today isn't finding the next Google or eBay, but avoiding the next AIG or Enron. To that end, they offer simple, clear techniques for detecting when and how legitimate companies make their numbers look better than they are. "What's Behind the Numbers?" offers seven rules for finding companies playing rather than by the numbers and explains how to avoid losing money by determining exactly when a stock is about to head south. John Del Vecchio, CFA, serves as a Principal of Ranger Alternative Management and principal of Parabolix Research, Inc. Tom Jacobs is lead advisor for the Motley Fool Special Ops, a stock service where he manages a special situations and opportunistic portfolio. He is cofounder of Complete Growth Investor LLC.

"[An] informative book ... Written in lively prose." Barron's 20130105
About the Author John Del Vecchio is the cofounder and co-manager of The Active Bear ETF, a fund dedicated to shorting individual stocks with fundamental red flags. Previously, he managed a hedge fund for Ranger Alternative Management, L.P. In addition, he worked for well-known short seller David Tice and famed forensic accountant Dr. Howard Schilit. Del Vecchio coadvices the Motley Fool Alpha long-short newsletter. Tom Jacobs, is an investment advisor and portfolio manager with Echelon Investment Management in Dallas. He applies this book's earnings quality tests to value investing for clients.