

# Throughput Accounting for decision making

## 2-day Workshop

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This workshop uses a combination of presentations, exercises and hands-on computer simulations to demonstrate the application of Throughput Accounting and how it might enable a better decision-making process within the organisation, one that avoids many of the erroneous assumptions and leads to better financial performance and clarity of purpose.

Conventional accounting systems focus on measurements such as Net Profit, ROI and Cash Flow. These are all well and good for financial reporting, but they only allow you to see the results of your decisions in retrospect; to run a business effectively, you need to be able to judge their immediate and future impact. TOC-Lean Throughput Accounting utilises Dr Goldratt's groundbreaking measurements of Throughput, Inventory and Operating Expense, which can be applied universally across the company and are easily understood by those at the cutting edge of shop floor decision making. In particular, Throughput Accounting rejects the conventional reliance on efficiencies - and in particular, labour efficiencies - which it sees as counter productive.

**Throughput (T):** The rate at which the *system* generates money through sales. 'Departmental Throughput' is never measured as this tends to lead to counter-productive localised policies; TOC principles are always applied holistically.

**Inventory (I):** All the money that is tied up in the system. For example, raw materials and WIP, as well as investments such as premises and machinery.

**Operating Expense (OE):** All the money the system spends in order to convert Inventory into Throughput, including all regular labour expenses.

Once the correct figures for T, I and OE have been calculated, the measurements can be used throughout the company to accurately predict the global effect of local, departmental decisions - for example, Profit = T-OE, Return on Investment = T-OE/I, Productivity = T/OE and Cash Flow = T-I-OE.

This workshop will give a practical grounding in the use of T, I and OE, introduce the fundamental TOC principle of identifying, exploiting and elevating the system constraint in order to maximize flow and show how Throughput Accounting can cast unprecedented clarity on vital decisions such as buying, investing, shop floor product release and price setting.

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The fee for the workshop is £750 + VAT per person

All participants will receive a copy of the course set book, 'TOC Executive Challenge: A Goal Game' by John Tripp.

Workshops are typically run on a dedicated basis for individual companies. Numbers are limited to a maximum of 10 and personnel should be drawn from the key areas of the senior management team, Finance and Purchasing. This enables a firm foundation on which to establish Throughput Accounting within the company.

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TOC-Lean Institute  
22, Digby Drive  
Melton Mowbray  
Leicestershire  
LE13 0RQ

Tel: 01664 502860

Fax: 01664 502870

[www.constraintmanagement.co.uk](http://www.constraintmanagement.co.uk)  
[www.toc-lean.com](http://www.toc-lean.com)

If you would like further information or wish to arrange a visit at a time to suit you and your organisation, please contact us by telephone or email:

Ted Hutchin  
[tedh@toc-lean.com](mailto:tedh@toc-lean.com)

Diane Jeary  
[dianej@toc-lean.com](mailto:dianej@toc-lean.com)