

# Advanced Financial Statements Analysis

## INTRODUCTION

- This interactive Advanced Financial Statements Analysis training course will update and develop your skills of analysing financial information, business activities, and the key risks faced in today's uncertain economic, political, and physical global business environment. It will guide you through the key steps of analysing financial statements, evaluating new investments, and measuring the performance of your organisation. Throughout this course, the participants will be able to relate their learning to real-world issues and problems and develop their ability to generate growth and improve profitability, as well as pinpointing problem areas for remedial action and will have the opportunity to acquire financial skills and technical knowledge that will enable them to manage more effectively.
- Financial statements – income statements, balance sheets, and statements of cash flows – are published annually by all organisations. But what do they mean? Are they telling us the truth? How do they enable us to manage our organisations more effectively and more profitably?
- You may think your financial knowledge and know-how are adequate and up-to-date – but it probably is not!
- It's time to wake up and smell the coffee – financial awareness really is crucial for all non-financial managers as well as accountants and financial managers.

This training course will highlight:

- The value of the annual report and accounts and other sources of key financial information
- Use of a range of tools and techniques to analyse and evaluate financial position and financial performance
- Effective acquisition and use of financial resources
- Analysis and valuation of capital investment projects and businesses
- Analysis and management of a business and financial risk

## OBJECTIVES

By the end of this training programme, participants will have learned how to:

- Analyse and interpret an organisation's annual report and accounts
- Use ratio analysis to evaluate financial position and financial performance
- Use analytical techniques to forecast future performance
- Critically evaluate the impact on financial position
- Performance of the subjective nature of accounting policies
- Identify the impact of profit, cash flow and risk on capital investment projects and business valuations

## TRAINING METHODOLOGY

- This Advanced Financial Statements Analysis training course will be run along with workshop principles, with formal presentations that include practical illustrations and relevant worked examples used to apply the financial tools and techniques in a real-world environment. Interactive team-based exercises and case studies reinforce the application of each of the learning ideas and topics enclosed. These are reinforced with the help and advice of the Instructor and his extensive real experience and knowledge of financial statements and analysis. Group discussion will promote the exchange of experiences and ideas. Difficult mathematical concepts are minimised wherever possible and handled in a visual way that is easy to understand – our aim is for this to be an enjoyable learning experience.

## ORGANISATIONAL IMPACT

Participants in this training seminar will provide benefits for their organisation through the enhanced knowledge and set of skills that they will take back to the workplace:

- Awareness of the relevance and importance of financial statements
- Use of the tools and techniques to monitor and improve business performance
- Identification of problem areas, and suggested realistic solutions
- Financial analysis for better informed decision-making
- Appreciation of the impact of financing on the cost of capital, investment projects and business valuations
- Identification, analysis and management of business and financial risk

## PERSONAL IMPACT

By attending this training seminar, you will greatly improve your Financial Analysis skills and develop:

- Improved understanding of the language of finance and accounting
- Increased awareness of the tools and techniques of financial analysis
- An appreciation of the importance of cash flow versus profit
- Greater confidence to tackle new situations
- The ability to identify, analyse and manage risk and other problem areas
- An exchange of ideas and knowledge with other professionals

## WHO SHOULD ATTEND?

This Advanced Financial Statements Analysis training seminar is suitable for a wide range of personnel from companies, corporations and governmental organisations. In addition to anyone working in the Finance, Accounting, Costing, Budgeting and Planning departments, this training seminar will greatly benefit:

- Project Managers and other Professionals
- CFOs, Controllers and Treasurers responsible for the Financial Management of the Organisation
- And any other Managers who wish to improve, refresh and update their understanding of analysis of financial information, and application to effective decision-making

## Course Outline

### Introduction to Advanced Financial Analysis

- Why analyse financial data?
- Who are the users of Financial Information?
- Sources of Financial Information
- Published Annual Reports and Accounts – What is their purpose?
- The Structure and Contents of an Annual Report and Accounts
- Creative Accounting, Financial Scandals, and the Agency Problem
- Corporate Governance, Sustainability, Ethics and Corporate and Social Responsibility (CSR) Reporting
- The Three Main Financial Statements
- Income Statement
- Balance Sheet

## Analysing the Annual Report and Accounts

- Using Ratio and Other Analyses of the Annual Report and Accounts to Assess Financial Position and Financial Performance
- Profitability and Cost-Volume-Profit (CVP) Analysis
- Efficiency and Working Capital
- Liquidity and the Short-term Solvency
- Investment and Growth
- Financial Structure and Long-term Solvency
- Ratio Analysis using Excel
- Excel Trend Analysis using Common-size Horizontal Analysis and Vertical Analysis for Comparability

## Analytical Tools, Cash vs. Profit and the Cash Forecast

- The Dupont System of Ratio Analysis and Pyramids of Ratios
- Segmental Analysis and Value Added Analysis of the Annual Report and Accounts
- The Fundamental Statistical Tools and Graphical Representations
- Using Statistical Techniques to Analyse and Forecast Financial Data
- The Impact of Alternative Asset Valuation Methods on the Balance Sheet and Profitability
- Cash flow vs. Profit – The Best Measure of Financial Performance
- Working Capital and the Cash Flow Operating Cycle
- Direct and Indirect Cash Flow Analysis and the Cash Flow Forecast

## Financing the Business, Capital Investment Project and Business Valuation

- Analysis of the Balance Sheet to Identify Long-term Debt and Equity, and Short-term Financing
- Capital Cost Models: Cost of Equity using Dividend Growth and Capital Asset Pricing Model (CAPM); Cost of Debt
- Weighted Average Cost of Capital (WACC)
- Optimal Capital Structure Models to Minimise WACC
- Future Values, Present Values, and Discounted Cash Flow (DCF)
- Using Net Present Value (NPV), Internal Rate of Return (IRR), Modified Internal Rate of Return (MIRR) and Equivalent Annual Cost (EAC) to Analyse and Evaluate Capital Projects
- The Reasons for Business Valuations
- Business Valuation Models

## Analysing and Predicting Corporate Failure, Business and Financial Risk

- Predicting Financial Distress and Corporate Failure – The Altman Z-score Model
- Risk and Uncertainty
- Risk Analysis using Expected Values, Standard Deviation and Coefficient of Variation
- Sensitivity, Simulation, Scenario and Break-even Analysis Techniques
- The Analytical Tools to Manage Risk
- Systematic Risk, Unsystematic Risk, Business Risk and Financial Risk
- Financial Risk– Interest Rate and Foreign Currency Exchange Rate Exposures
- Using Insurance, Hedging and Derivatives to Mitigate and Minimise risk