

Advanced Financial Statements Analysis

Course Description:

This course will develop your skills in analyzing business activities. It will guide you through the key steps of analyzing financial statements, appraising new investments and measuring performance at all levels of your organization. It will develop your ability to generate growth and improve profitability, as well as pinpointing problem areas for remedial action. Over the five modules delegates will acquire skills and technical knowledge which will enable them to manage more effectively. It will also focus on the key risks that businesses face in today's uncertain economic, political, and physical environment. Effective risk management is of vital importance in today's business environment and the seminar will promote the understanding of risks and how to minimize the business exposure to them.

Training Objective:

By the end of this course, delegates will be able to:

- Read and understand their organization's Annual Financial Report
- Evaluate their firm's financial performance
- Understand and use analytical tools and techniques in practical case-study situations.
- Use analytical techniques to project future performance.
- Make critical judgments of accounting policies when evaluating company performance
- Appreciate the importance of new investments in maintaining growth and competitiveness.
- Improve their management skills and increase their value to the organization



Who should attend?

Financial Managers, Senior Accountants, Accounting & Budgeting Personnel.

Course Outline:

Introduction to Advanced Financial Analysis

- Who are the users of financial data?
- What types of financial information are available to each user group?
- The published Annual Financial Report (AFR) – what is its purpose?
- The structure and contents of an AFR
- The non-financial elements of the AFR
- Understanding the three main financial statements
- Income Statement
- Balance Sheet
- Cash flow Statement
- Comparison of different formats for the financial statements
- Identifying the important numbers from the financial statements

Understanding and Analyzing the AFR

- Why do we need to analyse the AFR?
- Using common-size analysis to improve comparability
- Calculating trends and growth patterns
- Using Ratio Analysis to assess five key aspects of company performance
- Profitability
- Liquidity
- Efficiency and Working Capital Management
- Financing Structure and Risk
- Investment Performance and Potential

Analytical Tools and How to Analyze the Cash Flow Statement

- Introduction to Excel tools for analyzing financial statements
- Setting up spreadsheets for common-sizing and ratio analysis

- Using statistical tools mean, standard deviation, regression analysis
- Using graphical representation
- Why do we need the Cash flow Statement?
- Key ratios we can calculate from the Cash flow Statement
- How to use current cash flow information to forecast future revenues and profits

Financing the Business and Valuing the Business

- Analyzing the Balance Sheet to identify debt and equity
- Short-term and long-term finance
- Measuring the company's capital structure and estimating the costs of capital
- Cost of Equity (K_e), using DVM and CAPM
- Cost of Debt (K_d)
- Weighted Average Cost of Capital (K_o)
- Case study on Cost of Capital calculation
- Why do we need to value a business?
- Business valuation models
- Net Asset value – balance sheet, replacement cost or realisable value
- Price/Earnings ratio value
- Dividend growth value
- Present value of future free cash flows

Identifying Creative Accounting and Forecasting Future Failure

- What is creative accounting?
- Who benefits from creative accounting?
- How does creative accounting work?
- The symptoms of financial distress
- Financial and non-financial factors
- Using ratio analysis to identify financial distress or predict future failure

Forecasting future failure using ratio combinations