

Advanced Financial Analysis

Why Attend

- This course brings together the key elements of financial statement analysis. It will enable participants to ask the right questions, see the real risks facing businesses and investors, feel more confident in their ability to comment on business activities and performance, and analyze financial health for management. These skills and the required technical knowledge will be put into practice throughout the course using interactive examples and case studies, putting theory and technique into context.

Course Methodology

- The course uses a mix of interactive techniques, such as brief presentations by the consultant, group exercises and case studies using Excel to apply knowledge acquired throughout the course, followed by presentations by the participants.

Course Objectives

By the end of the course, participants will be able to:

- List and differentiate between the important components of basic financial statements
- Explain financial statements' ratios and design Excel sheets and graphs for financial statements analysis
- Give examples of creative accounting schemes and discuss the validity of the used accounting rules
- Assess the quality of financial reports and evaluate quality of the reported earnings and cash flows
- Analyze the financial position and performance of a company over a period of time and draw conclusions regarding its sustainability
- Forecast financial statements based on the analysis of the historical performance of a company

Target Audience

- Chief accountants, accounting managers, senior accountants, finance directors, finance managers, financial analysts, financial controllers, financial accounts managers, heads of finance departments, credit controllers, corporate financiers, credit risk analysts, bankers, and relationship managers.

Target Competencies

- Understanding financial statements
- Reading annual reports
- Processing financial data
- Financial analysis
- Credit analysis
- Risk management
- Criticizing financial reporting standards used
- Applying professional skepticism
- Identifying financial fraud
- Financial forecasting

Introduction to advanced financial analysis

- Users of financial data
- Content of the annual financial report
- Regional versus global standards
- Non-financial elements of the annual financial report and their importance
- Emotional and cognitive biases affecting analysts' judgment
- Understanding the income statement, balance sheet and cash flow statement
- Other comprehensive income components

Basics of industry analysis and analyzing ratios using Excel

- Top-down approach for analysis
- Macroeconomic factors to assess country exposure
- Indicators of GDP, unemployment rates, inflation and interest rates
- Deficit-to-GDP, debt-to-GDP and GDP growth rates
- Industry analysis: understanding Michael Porter's five forces shaping an industry's long term profitability
- Starbucks, Apple Inc., Nike and McDonald's cases
- Common size analysis to improve comparability
- Calculating trends and growth patterns
- Ratio analysis to assess key aspects of company performance:
 - Profitability
 - Liquidity
 - Efficiency and working capital management
 - Financing structure and risk
- Altman Z-score to assess potential bankruptcy
- Using graphical representation

Financial cosmetics and creative accounting

- Signals to read from inventory balances
- LIFO liquidation technique
- Valuing inventory at net realizable value: looking for signals of obsolete inventory
- Analyst's consideration when examining inventory
- Evaluating how capitalizing versus expensing costs affect financial statements and ratios
- Interest capitalization
- Research and development costs capitalization
- Effect of different depreciation methods on financial statements
- Impairment of business units and operating segments
- Revaluation of long-lived assets
- The choice of operating lease or finance lease
- Using special purpose vehicles for balance sheet manipulation
- Stock options and stock grants instead of bonuses
- Case study: creative accounting scandals of Enron, Worldcom, Parmalat

Assessing quality of financial reports

- Framework for assessing a company's quality of financial reports
- Potential problems that affect the quality of financial reports
- Beneish model: M-score to describe the degree to which earnings are manipulated
- Evaluating the earnings quality of a company
- Evaluating the cash flow quality of a company
- Indicators of balance sheet quality
- Sources of information about risk
- Case study: investment decision at Nestle

Financial forecasting techniques for analysts

- Revenue forecasting: bottom up versus top down
- Forecasting cost of goods sold
- Forecasting fixed and variable costs
- Forecasting balance sheet accounts
- Using days sales outstanding
- Using days of inventory on hand
- Using days of payables
- Fixed assets forecasting
- Retained earnings and dividend pay-out policy
- Building a 3-year forecast for Johnson & Johnson