Advanced Financial Statements Analysis

Day 1

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
  - Statement of Cash Flows

Day 2

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

Day 3

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

Day 4

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

Day 5

Analysing and Predicting Corporate Failure, Business and Financial Risk

- Predicting Financial Distress and Corporate Railure – *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