

Advanced Financial Statement Analysis & Forecasting

Munich (Germany)

27 January - 7 February 2025

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Code: FA28 From: 27 January - 7 February 2025 City: Munich (Germany) Fees: 7400 Pound

Introduction

In today's world, finance professionals are challenged by providing management with a detailed analysis of the impact of the organization's financial decisions. Therefore, finance professionals need to be skilled at reading through the numbers on the financial statements, analyzing the figures, interpreting the various ratios, and dynamically presenting this analysis. This course takes you from the first step of understanding the relationships between the different elements of financial statements, through the process of calculating and analyzing the financial ratios, to the last step of presenting recommendations. While applying Excel tools and techniques, various real-life examples of published financial statements will be used throughout the course.

Course Objectives

- Apply the framework of financial statement analysis.
- Use ratio and financial analysis.
- Interpret company financials and sector position.
- Appraise the process of company evaluation and analysis.
- Analyze real-life financial statements from companies traded in the world.
- Prepare financial analysis and template models.

Course Outlines

Day 1: Required components of financial statement analysis

- Role of financial reporting and analysis.
- Core financial statements and the importance of the annual report.
- The important role of notes and supplementary information.
- Objectives of financial statements audit.
- Types of audits.
- The financial statement analysis framework.
- The accounting cycle.
- Financial reporting mechanics.
- Relationship, elements, and classification of financial statements.

Day 2: Financial reporting standards

- Importance of reporting standards in security analysis and valuation.
- The standards-setting bodies.
- International Financial Reporting Standards IFRS versus Generally Accepted Accounting Principles GAAP.

Day 3: An inside look at financial statements

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- Income statement components.
- The three important components of income statements.
- Revenue and expense recognition.
- Balance sheet components
 - Measurement and classification.
 - The five important components of a balance sheet.
- Statement of changes in owners' equity.
- Cash flow statement:
 - Operating, investing, and financing activities.
 - Direct versus indirect methods in cash flow preparation.
 - Reading and interpreting cash flow.
 - The cash-rich standard.

Day 4: Mechanisms of financial analysis techniques

- Vertical analysis and strategy: balance sheet and income statement approach.
- Horizontal, trend analysis and growth.
- Liquidity analysis:
 - Current, quick, and cash ratios, defensive interval, and cash conversion cycle.
- Asset management and activity ratios:
 - Total and fixed assets turnover.
- Solvency analysis:
 - Debt, equity, and times interest earned ratios.
- Profitability analysis:
 - Profit margin, gross margin, return on assets, return on equity.
- Market and valuation:
 - Price-earnings and earnings-per-share ratios.
- DuPont analysis: the three-step and five-step models.
- Limitation of ratio analysis.

Day 5: Boosting efficiency in your department

- The 10 must-have Excel tips.
- Working with text files.
- Looking up records from a database.
- Validating data and controlling data input.
- Reconciliations and accounts analysis using pivot tables.
- Creating management reports and dashboards.

Day 6: FINANCIAL FORECASTING TECHNIQUES FOR ANALYSTS

Income statement forecasting

- Revenue.
- Cost of sales.
- Operating expenses.

Day 7: Balance sheet forecasting

A graphic of a chessboard with several chess pieces (a king, a pawn, and a knight) on it, set against a background of concentric circles. The text 'UK Training PARTNER' is overlaid on the right side of the board.

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- Fixed assets.
- Working capital.
- Retained earnings and dividend policy.

Day 8: Cash flow statement forecasting

- Operating cash flows.
- Free cash flows to the firm.
- Free cash flow to equity.

Day 9: 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 10: 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.

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