

## Advanced Financial Analysis

( 5 Days Training Course )



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## Why Attend

This course brings together the key elements of financial statement analysis to help participants improve their financial analysis skills, enable them 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 participants' presentations of the results.

## 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 formulate Excel sheets and graphs for financial statements analysis
- Illustrate creative accounting schemes and critique the validity of accounting rules used
- Assess the quality of financial reports and evaluate quality of earnings and cash flows reported
- Analyze the financial position and performance of a company over a period of time and draw conclusions regarding its sustainability

## 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

## Course Outline

### Introduction to advanced financial analysis

#### Users of financial data

Types of available financial information and the annual financial report

Content of the annual financial report and ways to read it

Non-financial elements of the annual financial report and their importance

Understanding the income statement, balance sheet and cash flow statement

Other comprehensive income components

How to access data from Tadawul, ADX, DFM, Bloomberg and Yahoo! Finance

### Basics of industry analysis and analyzing ratios using Excel

Industry analysis: understanding Michael Porter's five forces shaping industry's long term profitability

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

Last In First Out (LIFO) versus First In First Out (FIFO) and the effect on profits and taxes

Explaining LIFO reserve and LIFO liquidation

Converting reported inventory from LIFO to FIFO for purposes of comparison

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

Effect of different depreciation methods on financial statements

Impairment and revaluation of property, plant and equipment

The choice of operating lease or finance lease

Using special purpose vehicles for balance sheet manipulation

Joint ventures: using equity method

Consolidation: inflating goodwill by using full goodwill instead of partial goodwill method

Employees' compensation: completeness of end-of-service indemnity obligation

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 company's quality of financial reports

Potential problems that affect quality of financial reports

Defining concept of sustainable and persistent earnings

Beneish model: M-score to describe 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: analysis and interpretation of company performance