

Introduction to Corporate Financial Statements

A two-day foundation programme providing participants with a clear understanding of how the business activities of a company are reflected in their financial statements.

TARGET AUDIENCE

This is an introductory level workshop for those who are new to corporate credit. It is designed for bankers, investors, lawyers and other users of financial reports and accounts who have limited or no prior knowledge of analysis of corporate financial information. This is a prerequisite for those wishing to attend a Corporate Credit workshop but lack the financial background to do so.

COURSE OBJECTIVES

This course will explain how financial measures of corporate performance are calculated and used to assess creditworthiness. The course covers the basics and enables participants to become fluent in financial terminology. This course focuses on the numbers behind the risks rather than the risks themselves.

Specifically participants will:

- Understand how a company's business and financing activities are reflected in its financial statements
- Be equipped to read and understand the components of a company's financial statements - balance sheet, profit and loss and cash-flow, understanding the distinction between cash and profits
- How to measure operating, investing and financial performance using appropriate ratios and cash-flow tools
- Review and interpret the key impacts of "Notes to the Accounts" and describe the key accounting rules (IFRS) and their significance on interpretation.

CONTENT OVERVIEW

- Analytic overview - using the purpose payback model to relate a business to its balance sheet and profit and loss account
- Typical presentation of company financial statements
- A glossary of common financial terminology.

TYPES AND PRESENTATION OF FINANCIAL STATEMENTS

- IFRS presentation of company financial statements
- Key balance sheet categories - assets, liabilities and shareholder funds
- Understanding the profit and loss account: sales and expenses
- Cash-flow statements linking the balance sheet and P&L
- The difference between cash and profits
- Sources and quality of disclosure
- Understanding key accounting policies
- Using notes to the accounts.

BUSINESS AND OPERATING APPRAISAL

- Understanding company performance - the business cycle
- Sales and expenses - accrued versus cash accounting
- Ratios to assess the quality and stability of earnings - return on sales and its components
- Key asset categories - current, fixed and intangible assets
- Return on assets and its components
- The meaning of net working capital - key accounts and ratios
- Measuring fixed asset efficiency - ratios and cash-flow measures
- Deriving a cash-flow - operating, investment and financing cash-flows.

LIABILITY AND CAPITAL STRUCTURE

- Spontaneous finance: components and measurements
- Debt and equity: short term versus long term
- Liquidity and Solvency
- Accounting for liabilities
- Funding ratios - leverage, gearing, percentage equity
- Determining debt service obligations – interest and principal
- The impact of dividend policy on earnings and cash flow
- Off balance sheet liabilities
- Using the cash flow to analyse a company's ability to service its financial obligations.

RATIO ANALYSIS

- Dupont analysis - return on equity and its components
- Benchmarking performance using peer analysis - understanding accounting constraints.