

Advanced Financial Statement Analysis

Overview

Having a detailed understanding of financial statements is critical to assessing financial risk, and the rate of change in financial statement standards makes this a continuing challenge for users. This course brings together the key elements of financial statement analysis to help participants develop their skills in this area and enable them to ask the right questions to really get under the skin and see the real risks facing businesses and investors in these challenging times. The reference reporting framework used will be IFRS.

Learning Objectives

Upon completion of this seminar, delegates will be able to:

- » interpret financial statements for their effectiveness, relevance, and vulnerabilities
- » analyze the impact of certain financial statement choices on key financial ratios
- » anticipate and detect deteriorating cash flow quality
- » identify some of the more sensitive areas of reporting (in particular revenue recognition)
- » identify many of the creative accounting techniques used by companies

Who Should Attend

Professionals who are responsible for assessing the financial risk of businesses or who need to analyze and understand financial statements in more depth.

Program Level

Program Level: Advanced

Prerequisites: As an "advanced" course, a reasonable grounding in the fundamental concepts of financial accounting and some experience of having carried out or reviewed financial analysis will be assumed. Participants are expected to understand concepts such how the key financial statements (Profit and Loss, Balance Sheet and Cash Flow Statement) link together, how they are structured, how to analyse financial statements using simple ratios and accounting principles such as accruals and provisions.

Delivery Method: Group-Live

Accreditation

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Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

Advanced Financial Statement Analysis – Agenda

DAY ONE

Session 1: The Role of Financial Statement Analysis in Corporate Risk Assessment

After facilitator and participant introductions and an overview of the course objectives and content, including reflecting on feedback from the pre-course questionnaire, this session gives an overview of the principles of corporate risk assessment, the approach which will be adapted to financial statement analysis during the course and how different financial reporting frameworks impact upon this.

Session 2: Critical Features

We will identify the critical features to look out for and consider when beginning your financial statement analysis including:

- » The audit opinion
- » Regulatory statements
- » Reclassifications and restatements
- » Selection of critical accounting policies

Session 3: Financial Ratio Analysis

This session will cover the interpretation of financial and other relevant ratios with a focus on **key** ratios and their place within **corporate** risk analysis procedures. Definitions and the interplay of ratios are discussed. Topics covered:

- » Profitability, EBITDA, treatment of unusual items
- » Investment in tangible and intangible assets
- » Liquidity, working capital ratios and how management of working capital affects our analysis
- » Financing structure and off-balance sheet obligations

Note: this session assumes a sound grasp of fundamental finance concepts and analysis. Although the analysis will be structured around key aspects such as "Liquidity" and "Gearing", these principles are assumed to be familiar to participants, thereby enabling this session to focus on analysis and interpretation rather than definition and calculation.

Session 4: Working Capital and Cash Flow Analysis

This session investigates the relationship between profitability and cash flow, how changes in balances are reflected in cash flows and how cash flow statements are analysed and used to help develop forecasts.

- » Differentiating between operating, investing and financing cash flows
- » Relationship between working capital ratios and operating cash flow
- » Making use of the reconciliation between operating cash flow to operating result
- » Ratios based on cash flow statements
- » How to interpret and use the information
- » Linking cash flow statements to cash flow forecasts.

DAY TWO

Session 5: Advanced Accounting Issues

The day will be spent unpicking some of the more difficult and controversial issues in financial reporting and to consider their impact upon financial statement analysis.

For each topic we will consider the accounting treatments available under IFRS and how these should be reflected in our financial ratio and cash flow analysis as well as any potential off balance sheet and "creative" accounting issues. Short exercises and illustrative case studies are used to illustrate and emphasise key learning points.

Topics include:

- » Revenue recognition principles
- » The impact of business combinations and disposals
- » Treatments of goodwill and intangible assets
- » Equity method accounting for investments in associates and joint arrangements
- » Understanding and making use of financial instruments disclosures
- » Lease accounting
- » Long term employee benefit obligations
- » Share based payments
- » Deferred taxes
- » Treatment of complex debt and equity issuances

For each issue covered, the possible accounting treatments will be highlighted and discussed, with an emphasis on understanding their impact on the financial analysis. Appropriate guidance materials will be provided to support participants understanding and for use as reference material following the course.

The impact of recent and forthcoming changes to IFRS will also be discussed.

Advanced Financial Statement Analysis – Agenda (Cont...)

DAY THREE

Session 6: Creative Accounting

A practical review of day 2 accounting issues, focusing on how those topics can result in creative accounting.

Session 7: Putting it All Together – Comprehensive Case Study

The culmination of the course is a comprehensive case study.

This is based on the published financial statements and other relevant information (e.g. press comment, brokers reports etc.) of a mid-tier international company, with delegates working in small groups to prepare a presentation on the key features of their analysis, highlighting what they consider to be the key financial risk areas.

Groups will face a “peer review session” to question and challenge their findings. This approach will enable delegates to put to the test the knowledge and techniques learned during the course, both as preparers of financial analysis information and users of this information

Session 8: Personal Action Planning

Participants spend time reflecting on their key lessons learnt during the course and present back representative personal actions that they will implement on return to the workplace.

Participant Materials

Participants will receive copies of:

- » Key slides, handouts and other materials used during the course
- » Reference materials to support learning and use after the course

RELATED COURSES

Corporate Credit

- » Credit Masterclass
- » Fundamentals of Corporate Credit
- » Corporate Credit Rating Analysis
- » Credit Analysis for RiskAnalyst Users

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