


2 – DAY


INTERPRETATION OF FINANCIAL STATEMENTS

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INTRODUCTION

This program is about learning how to interpret and analyse financial statements in a meaningful way. The topics include the key components in a financial statement, the double entry accounting, concept of accrual accounting, risk issues in the income statement, financial ratios, importance of cash flow in a business, and the preparation of financial report. Participants will also be made aware of the importance of non-financial indicators that can contribute to the growth and performance of a company.

Knowing how to read a company's financial statement is a key skill required in understanding a business operation. This course has been designed so that it is easy to understand and it is intended for participants to enhance their knowledge on the subject.

METHODOLOGY

Lectures through PowerPoint presentation, notes handout, quiz exercise, case studies and discussion

COURSE OBJECTIVES

By the end of this course, you will be able to:

- Executive staff and managers whose jobs require some knowledge on accounting and wish to enhance their skill on the subject
- Personnel who want to gain some knowledge on the subject matter
- Understand the basic of accounting
- Develop skill in understanding financial statements
- Understand double entry accounting
- Understand the concept of accrual accounting
- Know the importance of cash flow
- Be aware of non-financial performance indicators

PROGRAM OUTLINES

MODULE 1: WHAT ARE FINANCIAL STATEMENTS (FS)

- Purpose of FS
- The users of FS
- Accounting Conventions
- Limitations of FS

MODULE 2: KEY COMPONENTS OF FS

- Income Statement
- Statement of Financial Position
- Statement of Owners Equity
- Statement of Cash Flow

MODULE 3: DOUBLE ENTRY ACCOUNTING

- Debits and Credits
- T Account
- Journal and Ledger Accounts
- Trial Balance

MODULE 4: ACCRUAL ACCOUNTING CONCEPT – GAAP

- Basic principles on revenue recognition
- Accounting profit versus real profit
- Accounting risks in income statement

MODULE 5: KEY AREAS IN THE ANALYSIS OF FINANCIAL STATEMENTS

- Financial ratios
- Operating cycle and working capital
- Company's net worth
- Financial leverage (gearing)
- Debt versus equity
- EBITDA
- Depreciation
- Contingent liabilities
- Creative accounting
- Fair value concept
- Asset Impairment

MODULE 6: CASH FLOW PROJECTION ANALYSIS

- Understanding of cash flow
- Financial drivers of cash flow
- Purpose of cash flow projection
- Downsides of cash flow projection

MODULE 7: FINANCIAL STATEMENTS OF DIFFERENT INDUSTRIES

- Main business characteristics of each industry
- Key risk issues of each type of business

MODULE 8: NON-FINANCIAL PERFORMANCE INDICATORS (NFPI)

- Definition of NFPI
- The importance of NFPI in the assessment of the performance of a company

MODULE 9: REPORTING OF FINANCIAL STATEMENT

- Who is responsible for preparation of FS
- Role of external auditors
- Types of audit opinion
- Fraudulent financial reporting in FS

QUESTIONS & ANSWERS

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