

Course Introduction

This course is designed to discuss the main features of the financial statements prepared by a business enterprise. The course is divided into 2 sessions. In the first session, participants will understand the meaning and fundamental structure of the financial statements, and the inter-relationship of the items in the statements. Thereafter, participants will learn to apply key management ratios to evaluate the strengths and weaknesses of the business operations.

Course Outlines

Topic 1. What you want to know about the financial statements?

Nature and role of accounting; Desirable qualities of a financial report;; Accounting as an information system; Financial and management accounting compared; Fundamental accounting assumptions; Accounting policies; Objectives of financial statements. User groups and their areas of interest.

Topic 2. Three basic financial statements

Balance sheet – source and use of funds approach; vertical format presentation; current assets; fixed assets; liabilities; shareholders funds; capital employed; net worth; working capital; long and short balance sheet analysis. Profit and loss account – timing adjustments; distribution or appropriation of profits; and cash flow statement. Cash Flow Statement – operating cash cycle; relationship between depreciation and cash flow; non-operating cash outflows and inflows.

Topic 3. Interpretation of Auditors' Reports

Objectives and scope of audit; Reasonable assurance; True and Fair View; Auditors opinion – unqualified, emphasis of matters, qualified, disclaimer, adverse opinion.

Topic 4. Analyzing Performance of An Enterprise

Liquidity Ratios

Importance of liquidity; application, case study and interpretation techniques.

Profitability Ratios

Importance of profitability; meaning of return on investment; drivers of margin on sales; drivers of sales to total assets; operating profit model; application, case study and interpretation techniques.

Solvency Ratios

Importance of solvency; application, case study and interpretation techniques.

Asset Management Ratios

Importance of asset management; application, case study and interpretation techniques.

Stock Market Ratios

Application, case study and interpretation techniques.

****Note: Participants are required to bring calculators.***