

FINANCIAL ANALYSIS FUNDAMENTALS



EDUCATION GOALS

- Better understand the challenges of financial analysis
- Understand the key principles required to analyse a company's financial statements (performance, profitability, liquidity ratios etc.)
- Understand the fundamental concepts used to measure a company's financial performance

WORD FROM THE AUTHOR – Franck NICOLAS

« In the business world of today, if we want to understand the financial health of a competitor, customer or supplier, or if we simply want to better manage our department's income and expenses, it is essential to know how to perform a financial analysis. More so that in the past, financial strength is a key concern because it is one of the foundations of a company's long-term survival. »

Level

Initiation
Intermediate

3
Modules

5 H



M21 – FROM AN ACCOUNTING PERSPECTIVE TO A FINANCIAL PERSPECTIVE

Objectives education

- Understand the key management subtotals (Income Statement)
- Understand the concept of operating cash flow (OCF)
- Understand the main accounting adjustments applied to financial statements
- Understand how to move from the French detailed balance sheet to the financial balance sheet

Word from the author

« A "financial perspective" is vital for any manager wanting to better understand the financial health of a company (be it a competitor or a client) or to obtain information on its operating procedures. Financial analysis is always based on the company's financial statements, which have to be summarised and adjusted. This will be tackled in the present module. »

Chapters

- Key management subtotals (Income Statement)
- Operating cash-flow (OCF)
- Adjusting the figures in the French accounting documents
- From the French detailed balance sheet to the financial balance sheet

Quiz

M22 – FINANCIAL SOLVENCY AND LIQUIDITY

Objectives education

- Understand the concepts of solvency and liquidity
- Understand the working capital requirement (WCR)
- Understand the components of WCR and how they change
- Learn how to calculate a company's borrowing capacity in order to better anticipate potential risks and creditors' decisions

Word from the author

« Financial strength is a key issue for all company directors as it is one of the foundations of the company's long-term survival.

But what do we really mean by this?

In order to answer this question, we need to consider the various short, medium and long-term deadlines for payment.

The balance sheet can be viewed as a three-piece puzzle comprising long-term elements, items related to operating needs and cash flow items.

Each piece plays a role in the company's financial strength and solvency. »

Chapters

- Solvency and liquidity
- Definition of Working Capital Requirement
- Funding the Working Capital Requirement
- Analysing the Working Capital Requirement
- Borrowing capacity

Quiz

M23 – MEASURING PERFORMANCE

Objectives education

- Understand the foundations of performance using physical and financial business and productivity indicators
- Understand economic and financial profitability ratios
- Understand how leverage works: its benefits, risks and limitations

Word from the author

« Today performance is used to measure managers' efficiency.

But which is the best performing company: the one with the highest profit margins, the one with the fastest growing market share, or the one with the highest cash inflow?

In order to answer this question, we first need to define the most appropriate indicators for each type of performance, and then be able to analyse them. »

Chapters

- Measuring activity and productivity
- Profitability
- Leverage effect

Quiz

Case study

- Case study – "Leverage effect"