Financial Analysis for Credit Analysts

Who should attend

- Credit and financial analysts of commercial banks
- Analysts and employees of credit departments of holding companies, preparing justification for credit accommodation
- Bank specialists, negotiating with companies and explaining credit advantages against the owners’ source of funds.

Objectives

- To familiarize participants with the methods and algorithms of financial analysis as an important component of the credit risk evaluation process.
  The peculiarities of the creditor’s financial analysis are emphasized. These peculiarities derive from the creditor’s goals and are revealed in a composition of financial ratios and the particulars of their analysis as well as in a thorough analysis of company’s cash flows
- To evaluate existing financial standing of the company
- To carry out problem diagnosis
- To determine how credit would increase return on investment of the company
- To form the forecast of cash flow of the company with the purpose of evaluation of its solvency
- To calculate net cash flows and cover ratio
- To develop practical skills of analysis of financial standing of a real company as a foundation for decisions regarding the practicability of financing.

Training methodology

Training participants are provided with specially designed training materials in Russian.

The theory is illustrated by practical examples on personal computers.
Training participants are provided with practical examples studied in electronic format that can be used in their practical work.
Training outline

Day 1

Introduction: goals and scheme of analysis
- Internal and external factors, influencing the company’s activity
- Consistency of analysis

Section 1. Understanding and analysis of financial statements. Horizontal and vertical methods of analysis. Demonstration of industry specifics in the financial reporting:
- 1.1. The balance sheet – information about investments and sources of financing. Industry specifics of the balance sheet
- 1.2. Profit and loss statement – information about revenue and expenses. “Value Chain” illustration of business specifics

Day 2

- 1.3. Cash flow statement – information about inflow and outflow of cash. Peculiarities of company’s life cycles and types of activity (operational activity, investment activity, financial activity)

Section 2. Analysis of borrower’s return on investments:
- 2.1. Evaluation of return on investment – basis for successful development and growth of company value. Which company activities are reasonable to invest in? How does the company justify the need in a loan?
- Reclassification of the reporting statements’ items. Transition to analytical reporting, irrespective of financial reporting standards
- In which area of activity are investments most efficient?
- How to make sure that financial forecasts are justified?
- What is the strategy of business development and how is it reflected in the financials ratios (sales return, turn-over)?
- How to reveal problems in company’s activity. What can a credit analyst advice to the company’s management? What to pay most attention when taking credit decision?

Day 3

- 2.3. Cash cycle and its influence on the company’s need in borrowed funds. Effectiveness of cash flows management

Section 3. Company’s financial stability (risk and return relation). Financial stability, liquidity and solvency analysis
- 3.1. The influence of capital structure on risk and return
- Is it beneficial for a company to take a loan?
- Motivation of credit effectiveness for client-company
- Financial stability and liquidity, its interrelation
- 3.2. Growth rate of business, credits and financial stability
- Internal and equilibrium growth rates
- What is the correct balance of company’s business ratios and its sources of financing for stable growth?
- 3.3. Analysis of balance sheet structure: liquidity ratios
- What is liquidity and what should be covered?
- Why shouldn’t long-term projects be financed with short-term loans?
- 3.4. Methods of liquidity estimation
- Calculation of net cash flows
- Calculation of interest coverage ratio and debt coverage ratio

Section 4. Market valuation multipliers and their relation with key financial ratios (elected):
PE, EPS, DPS, Yield, Market-to-Book ratio
**Training outline**

**Day 4**

**Individual student work**

**Working order**

- The participants are divided into two groups, each analyzing the financial statement of a real company which remains unnamed until the end of the study. The group tries to define the industry and the phase of the life cycle of the unnamed company.

- Calculation of all necessary indicators by section. Analyzed period is two years. The participants prepare a presentation with conclusions on the financial standing, development prospects, and creditworthiness of the company.

- Each mini-group reports one of the parts of the analysis in turn. The second mini-group challenges the presenters and makes additions to the presentation.

- The instructor sums up and gives the correct results for financial ratio calculations prepared in advance. The real name of the company is revealed (financial statements of different companies are used on different workshop days).

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**Certificates**

Certificates of the EY Academy of Business.

**Place and time**

Open training are conducted at EY Academy of Business from 9:30 to 16:30.

**In-company training**

- Preliminary analysis of clients’ training needs, identification of aims and goals
- Training adaptation industry
- Flexible approach to training location and schedules
- Report on the training results on request.

**Recommended training scheme**

- Cash Flow Statement (IFRS/US GAAP): Compilation with MS Excel
- Financial Analysis for Credit Analysts
- Investment Project Evaluation I-II
- Risks of Investment Projects: Assessment and Computer Modeling
- Financial Modeling I-II

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**How to apply?**

Please complete the registration form online at our web site: ey.com/cis/academy