Financial Statement Analysis & Cash Flow Analysis Boot Camp

Credits – 11.5 CPE
January 15 & 16
Marriott Prattville Hotel & Conference Center

Want to learn how to analyze business financial statements and tax returns in a compact, intense, case-based two-day session? Want to move beyond ratio analysis and into the operating, investing and financing cash flows of a business and how they affect loan repayment? This workshop is your answer, whether you are new to lending and financial analysis, or even if you have been away from financial analysis for a while and need a refresher. (Bring your calculator and pencil!)

Day 1 – Business Financial Statements and Tax Returns

Introduction to Business Financial Statements
➢ Financial statement analysis options and tools, plus the basic structure and purposes of financial statements
➢ Compare and contrast the three methods of accounting

How Business Financial Statements and Tax Returns are Constructed (Accounting Refresher)
➢ Compare and contrast the cash method and accrual method of accounting
➢ Construct the following for an example business (case)
    o Conventional balance sheet, income statement and statement of cash flows on both the cash and accrual basis
    o Tax return balance sheet (Schedule L), income statement, Schedule M-1 and Schedule M-2 on the cash basis
➢ Describe the key differences in all three presentations of the financial performance of the example business (cash vs. accrual vs. cash/income tax basis)
➢ Identify the role and function of the Schedule K-1, plus differentiate between income/expense and actual cash flow from the business to its owners

More on Accrual Accounting Typically Used by Larger Businesses
➢ Key standards, limitations and alternatives within accrual accounting or generally accepted accounting principles (GAAP)
➢ Why other comprehensive bases of accounting (cash and income tax) are appropriate for many smaller businesses
➢ Identify various levels of accountant-prepared financial statements (compilations, reviews and audits)
➢ Explain the importance of interim statements

Ratio Analysis
➢ Basic guidelines for classifying and spreading the data
➢ Identify the key components of a balance sheet
➢ Calculate liquidity and leverage ratios for an example business and interpret the results
➢ Identify situations with positive or negative working capital
➢ Describe common-sizing of the balance sheet
➢ Identify the key components of an income statement
➢ Calculate profitability and traditional cash flow measures for an example business and interpret the results
➢ Calculate efficiency and debt coverage ratios for an example business and interpret the results
➢ Explain the use of industry and comparative data within financial analysis

Day 2 – Business Cash Flow Analysis

Why You Need More Than Traditional Ratios and "Cash Flow" as Net Income + Depreciation + Interest Expense
➢ Evolution of Statement of Financial Accounting Standards (SFAS) 95 and the resulting SCF, plus development of the UCA model

➢ Example: the true cash flow impact of changes in efficiency ratios such days-on-hand of accounts receivable
➢ Sources and uses of cash for both SCF and UCA, plus the three main categories of cash flow, and the indirect and direct methods for compiling a SCF

Building an Accountant-Based Statement of Cash Flows (SCF)
➢ Construct a SCF on the indirect method from the Day 1 case study
➢ Construct the operating section of a SCF on the direct method as a bridge to the UCA model

Building, Understanding and Using the Banker-Based UCA Cash Flow Model
➢ Compare the formats of SCF and UCA, plus construct a UCA model from the Day 1 case study
➢ Compare key subtotals between a SCF and UCA (from case study)
➢ Identify the three basic cash flow questions for which the UCA model provides answers
➢ Identify the cash flow coverage ratio components imbedded within the UCA format
➢ Develop the drivers of operating cash flow consistency and reliability as a source of loan repayment
➢ Explain the cash flow effect of capital expenditures, adjusted for related long-term financing
➢ Re-position distributions/dividends within the UCA format in order to improve cash flow conclusions for privately-held businesses and a typical global analysis
➢ Compare SCF and UCA analytical conclusions with earlier conclusions from traditional ratio analysis
➢ Explain how commercial real estate (CRE) cash flow is different, due to typical usage of single-asset entities with limited balance sheet cash flow implications (except for capitalized expenditures and owner distributions)

PRESENTER: Richard Hamm

WHO SHOULD ATTEND:
Credit analysts, community bankers, small business lenders, commercial lenders, branch managers that lend to business owners, private bankers, special assets officers, loan review specialists and others involved in business and commercial lending

QUESTIONS? Call Debbie Pharr at (334) 386-5735.

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