



ABS | Online Learning

# FINANCIAL STATEMENT ANALYSIS AND RELATED CREDIT ISSUES

Foundation/Intermediate Level



## PROGRAMME DESCRIPTION

This two-days online programme aims to augment the analysts' and relationship managers' analytical skills in assessing the financial statements.

Inherent in a programme of this nature, the coverage extends into areas that incorporate risk analysis, the requirements of capex and working capital financing, and other aspects that are integral parts of financial analysis.

## LEARNING OBJECTIVES

Upon completion of the programme, participants will be able to:

- Understand the use of trend analysis in the realm of financial and risk analysis
- Identify risks using financial indicators and grasp the implications in financing proposals
- Apply the techniques of financial statement analysis in assessing capital expenditure and working capital financing proposals
- Appreciate the importance and application of cash flow analysis in assessing the risks and reasonableness of financing proposals
- Ascertain and determine the financing servicing and repayment capability of a customer
- Grasp the concept of cost vs benefit analysis and its application in assessing a financing proposition
- Comprehend how banks assess the profitability of each financing proposal, and what the regulatory and financial parameters are under which such assessments are carried out

## TRAINING METHODOLOGY

Online lecture with slides and discussions. Training platform : Zoom

## TARGET AUDIENCE

Relationship managers and analysts of the bank's business financing department.

## PROGRAMME OUTLINE

### 1. Trends/changes in financials are appropriately rationalised

- Accounting concepts and their application in financial analysis.
- Inter-temporal analysis of financial trends based on financial statements.
- Common-size analysis of financial statements.
- Using Time Series as a tool to project the trend of sales and revenue.
- Using Regression Analysis to project trends.
- Using Moving Averages to project trends.

### 2. Ability to identify and mitigate risks and red flags using financial indicators

- How the three financial statements are prepared (P&L, Balance Sheet, Cashflow Statement).
- The key issues to establish credibility of financial statements.
- Why Accrual Accounting can be a risk factor and why profit is not cash.
- The fallacy of the Balance Sheet – it is not a valuation statement.
- Creative Accounting. What is it, how and why it is done?

- Creative Reporting. How they distort and distract the focus of the analyst.
- The risks of tenor and funding mismatches.
- How different depreciation policies produce vastly different financial statement positions. How that distorts the analyst's assessment.
- The perils of Intangibles in financial statements. Why ignoring them is a risk?
- Related party transactions. Why and when they post a risk?
- How to detect derivatives in the financial statements. How they work and why are they risky?
- The need to flush out Contingent Liabilities. Why they matter and why are they a risk factor?
- Auditor's qualification. The need to pay attention to it.
- Capitalisation of expense. How and why it is done. How it is justified. How it distorts the actual financial condition.
- Inventory valuation.
- The perils of solely focusing on financial ratios. What they do not tell us.
- Transfer Pricing. How it may impact our credit portfolio.
- The issue of capital leakage.

### 3. CAPEX/WC capital requirements –

#### a. assessment and justification

##### i. Capex financing

- The different types of financing structures for capex – and their respective risks.
- Justifications based on cash flow projections and what the pitfalls are.
- Examining the tax effect, accounting affect, documentation and flexibility.
- Repayment capacity and repayment structure.
- Cost and benefit analysis, first-way out and justification for an investment proposal.

##### ii. Working capital financing

- The different types of facilities. How each one suits each situation. And their respective risks.
- How to justify each type of working capital financing facility.
- Reasonableness of forecast ageing/seasonal cycle and appropriateness of purpose.

### 4. Cash flow projection and sensitivity analysis

- The three components of a projection.
- The importance of scrutinising the assumptions.
- Stress testing of financial projections.
- A journey through many methods of analysis using figures from cash flow.
- Breakeven Analysis and Cost Revenue Analysis.
- Using Breakeven Analysis as a risk assessment tool.
- Using Sensitivity Analysis as a tool for risk analysis.

#### Non-contract financing cases:

- Reasonableness of basis and assumptions used in reflecting the business cycle.
- Overstated/understated the cost elements in financial projections.
- Disbursement based on project timeline/implementation.

#### Contract Financing cases:

- Reasonableness of basis and assumptions used in relation to project timeline.
- Ascertaining the appropriateness of proposed financing amount.
- The reasonableness of customer's contribution toward the project cash flow.

### 5. Financing servicing/payment capacity

- The concepts of Times Interest Earned, Working Capital and Liquidity
- Asset quality, turnover and management.
- The different bases for financing servicing capacity between a star-up and an existing/on-going business.

### 6. Costing and breakeven analysis

- Breakeven Analysis focuses on the internal cost and pricing of the company, and the prospective effects of change in either cost or revenue.
- Breakeven Analysis as a Risk Assessment Tool.
- Cashflow Breakeven Analysis
- Sensitivity Analysis for Risk Analysis and Quantification
- Assessment of the customer's capacity in funding the unfinanced portion.

### 7. Financing profitability analysis.

- How Basel standards dictate capital requirements and thus bank's profitability.
- How fee-based facilities enhance the bank's profitability.
- How a bank's cost of funds is a function of the health of its balance sheet.
- Why a good loan is said to be subsidising a bad loan.
- What are the covenants that would safeguard the bank's target profitability
- Why is it crucial that the composition and structure of the working capital financing facilities can enhance the bank's profitability?

## PROGRAMME DETAILS

Dates : 24 – 25 May 2021  
Day 1 : Lim Guan Chye  
Day 2 : Yeow Tiang Hui

Training Platform : Zoom

## PROGRAMME FEE

**MYR2,200\***

AICB Member

**MYR2,500\***

Non - AICB member

\*Subject to 6% Service Tax

## ABOUT THE TRAINERS

### **Lim Guan Chye**

*Senior Consultant, Asian Banking School*

Lim Guan Chye has 35 years of working experience in the banking industry as well as at senior management levels in commercial organisations.

Over a 25-year period, he has worked at Malayan Banking Bhd. (Maybank), The Pacific Bank (now acquired by Maybank) and EON Bank (now under Hong Leong Bank Berhad) where he held senior positions including Regional Manager – Northern Region, as well as United Overseas Bank (UOB) as Vice President with in-depth knowledge and exposure to credit processing, banking operations and branch management. After his stint in banking, he joined the commercial sector and worked for 10 years with various companies in areas involving finance, human resources, marketing, risk and general management. He then ventured on his own and prior to joining ABS, was a Management and Financial Consultant assisting companies in developing their businesses, human resource competence and strategic planning activities.

Guan Chye was an invited speaker to the 1st Borneo Summit in Kota Kinabalu, Sabah in 2013 and authored a book in 2015 entitled “What Every Entrepreneur Ought to Know About Business and Banking”. The book was translated in Bahasa Malaysia in 2016.

He holds a Bachelor’s degree in Analytical Economics (2nd Upper Honours) from the University of Malaya and is a holder of the Certified Credit Professional Certification awarded by the Institute of Bankers Malaysia (now known as Asian Institute of Chartered Bankers). He is also a certified HRDF trainer.

### **Yeow Tiang Hui**

*Director of Commercial Banking, Asian Banking School*

Yeow Tiang Hui graduated in Economics from the National University of Singapore where he studied International Finance, Banking & Monetary Economics. He obtained his further training in banking and finance from the Institute of Banking & Finance in Singapore, Deutsche Bank Asia Pacific, and Citibank Asia Pacific Banking Institute, where he studied Credit & Financial Analysis, Applied Financial Services, International Trade Finance, Corporate Finance, and Financial Derivative Products.

He has 33 years of experience in banking and investment, having first worked with the small and medium enterprise clients in United Overseas Bank and Citibank N.A., Singapore. Thenceforth, he moved on to manage the multinational accounts in Deutsche Bank AG, then the large local corporate clients in Citibank/Citicorp Malaysia, where he was also the Vice President in the venture capital outfit, and the Head of Commercial Banking.

From 1997 to 2005, he served as head of the offshore banking business of the French banking group Crédit Industriel et Commercial. The coverage was Malaysia, the Greater China and the Philippines. From 2007 till 2016, he has served as the Head of Corporate Banking Kuwait Finance House. And in 2012, he set up the client coverage team, housed under the Investment Banking Division. His last position was as the Chief Executive Officer of Alkhair International Islamic Bank Bhd.

He is fluent in (written and spoken) Chinese, English, Malay and the Indonesian languages, and has worked in the Singapore, American, German, French, Middle Eastern and Malaysian environments.

## ABOUT ASIAN BANKING SCHOOL

The **ASIAN BANKING SCHOOL (ABS)** is dedicated to developing talent and is the largest specialised provider of quality banking training programmes in the ASEAN region.

As the industry's preferred partner in learning and development, ABS offers customised and open enrolment training programmes that cover a comprehensive list of banking areas developed by its Specialist Training Consultancy Team or in collaboration with strategic learning partners that includes some of the top business schools in the world. This includes its Executive Education programmes with Cass Business School in London, the University of Cambridge Judge Business School, the Frankfurt School and INSEAD.

ABS also works closely with the Asian Institute of Chartered Bankers in raising competency standards for the industry through the delivery of training workshops related to professional qualifications developed and awarded by the professional body; and is the exclusive training partner for the Chartered Banker Institute in the UK. It plays a significant role in enriching the talent pipeline for the financial services sector through the industry recognised Financial Sector Talent Enrichment Programme (FSTEP) and Graduate Training programmes; and is also responsible for designing, developing and delivering the industry-wide Ethics and AML/CFT programmes.

## CONTACT US

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