

American Management Association's AMA's Course on Financial Analysis

Learning Objectives

- Analyze Financial Statements
- Apply Financial Analysis Methods and Tools to Measure Performance Against Internal and External Standards and Industry Benchmarks
- Make Sound Decisions Based on Accurate Assessments of Business Performance and Results
- Ask Better Questions to Gain a Clearer Understanding of the Business and Focus Attention on Areas of Greatest Impact
- More Effectively Manage Value in the Business

The Nature of Financial Analysis

- List the Principal Questions Answered By Financial Analysis
- Identify the Financial Statement Sources of Data Used in Financial Analysis
- List the Major Tools Used in Financial Analysis

The Planning Cycle

- Identify Components of the Planning Cycle
- Describe the Role of the Financial Analyst

Income Statement and Balance Sheet

- Identify Key Accounts and Subtotals of the Income Statement
- Identify the Major Sections of the Balance Sheet and How Analysts Use Them
- Explain Why Companies Own Assets and How They Pay for Them
- Use Common Size Financial Statements

Measurement of Performance

- Calculate Solvency Ratios, Liquidity Ratios, and Profitability Ratios
- Explain How Ratios Relate to the Creation of Shareholder Value
- Define How Growth Rates Are Used to Indicate Performance

Cash Flow

- Analyze a Company's Gross Cash Flow from Operating, Investing and Financing Activities
- Describe Why an Analysis That Fails to Take Cash Flow into Account Is Inadequate
- Define a Company's Free Cash Flow
- Use Cash Metrics to Measure Value Creation

Creating Shareholder Value

- Calculate a Company's Weighted Average Cost of Capital and Total Capital in Accordance with CAPM
- Understand Why the WACC Is Important

Analyzing Enterprise Investments—The Theory of Interest and the Time Value of Money

- Use a Financial Calculator
- Calculate Future Value, Present Value, and Compound Growth Rates
- Calculate the Present and Future Value of an Annuity and Annuity Payments
- Calculate and Understand Internal Rate of Return
- Calculate the Present Value of a Perpetuity

Analyzing Enterprise Investments—Capital Project Evaluation

- Define the Steps Necessary to Perform a Capital Project Evaluation
- Create a Spreadsheet to Describe a Project
- Choose a Hurdle Rate for a Project
- Apply the Major Techniques: NPV, IRR, EPVI, Payback
- Define Terminal Value
- Price an Acquisition