



## FINANCIAL STATEMENT ANALYSIS



## Financial Statement Analysis

### **Background**

With the rapid expansion of capacity and networks, Nepalese banks have been facing serious shortage of skilled manpower in all functional areas and more so in credit. As credit risk is by far the most dominant factor in bank failures, the importance of proper Credit Risk Management System in a bank can hardly be exaggerated. And, good credit risk management always begins with making good loans. The course on 'Comprehensive Commercial Lending' has been designed to make the Relationship Managers, Senior Relationship Managers, Branch Managers, Risk Officers/Managers and any other interested employees learn the skills of making good commercial loans.

Starting from understanding the cause of borrowing, the course focuses on identifying and weighing the financial and non-financial strengths and weaknesses of a business and the overall risk faced by the bank if the loan is made. Using the identified strengths and weaknesses, the participants will then learn the techniques of critically examining the projected financials on which the repayments are based. The course gives a particular importance to Risk Rating, its design and importance. Equally important, the participants will learn how to make presentation of the loan request in the form of Credit Memorandum/Proposal.

The participants, divided in groups, will be given one dummy borrower with the required details and through exercises following each classroom topic; they will be analyzing the information (financial and non-financial) to identify the strengths and weaknesses of the borrower. Based on the analysis they will be doing risk rating of the borrower and will finally learn how to make the presentation (writing the CM) of the analysis.

### **Program Details**

**Date & Time: 31st May (8:30am-3:45pm) & 1st Jun( 8:30am-3:45pm) 2024**

**Venue : Hotel, Kalpatru, Nepalgunj**

**Duration: 8 session/12 hrs. (Each session of 1.5 hrs)**

# COURSE DETAILS

## Target Audience

- Personnel with Credit Business Function such as Relationship Managers:
- Personnel with Credit Support Function such as Credit Officers:
- Personnel with Credit Control Function such as Credit Risk Management Department officials of Commercial Banks.

SN	Content	
1.	<p><b>Understanding the Borrowers</b></p> <p><b>A. Why do Businesses Borrow?</b></p> <p><i>Understanding Cash Flow Cycles</i></p> <p><i>Used of cash</i></p> <p><i>Source of Cash</i></p> <p><i>Long term sources of Cash</i></p> <p><i>Borrowing needs by business types or industry</i></p> <p><i>General Borrowing needs by all business</i></p>	<p><b>Mr. Pushpa Raj Bhandari</b></p>
2.	<p><b>Identifying Risk by Analyzing Business Financial Statements</b></p> <p><b>A. Identifying risk through Income Statement analysis</b></p> <p>Income Statement Structure</p> <p>Sales and Cost of Goods Sold Analysis Operating Expense and Net Profit Analysis Other Income and Expense Analysis</p> <p>Exercise on income statement analysis</p>	
	<p><b>B. How to analyze Balance Sheet</b></p> <p>Asset Analysis</p> <p>Liabilities and Equity Analysis Concept of Tangible Net Worth</p> <p>Exercise on balance sheet analysis</p>	
	<p><b>C. Interpreting Ratios</b></p> <p>Ratio Analysis Considerations Ratio Characteristics</p> <p>Types of Ratios</p> <p>Exercise on interpretation of ratios</p>	
	<p><b>D. Cash Flow Analysis &amp; Determining repayment capacity</b></p> <p>Why Bankers Focus on Cash Flow Sources and Uses of Cash</p> <p>Statement of Cash Flows- Indirect Method Exercise on cash flow analysis</p>	
	<p><b>E. Analyzing Projected Financial Statements</b></p> <p>Interpreting Projected Financial Statements</p> <p>Considerations for Constructing/Reviewing Projections Case study on projected financial statements analysis</p>	

*(There will be a one-hour post-training evaluation after the program session ends)*

# PROGRAM DETAILS

## Facilitator Profile



**Mr. Pushpa Raj Bhandari**  
**Former Chief Business Officer**  
**Bank of Kathmandu**

Mr. Bhandari has more than 25 years of experiences in Banking Sector. Previously he was associated with Bank of Kathmandu as Chief Business Officer. Prior to this he was the Chief Executive Officer of Birgunj Finance Ltd. for 7 years. He started his career from Nepal Rastra Bank and worked for 6 years in different department. He also worked in Nepal SBI Bank for 8 years in multiple depart as a Department head, Branch Manager, & Assistant Manager. Mr. Bhandari was also a representative of Forex and Treasury Department while in NSBI Bank where he attended various meetings of the FEDAN (Foreign Exchange Dealers Association of Nepal). He was also a part of the Consortium Financing Committee.