



# Advanced Financial Statement Analysis: Ratios, Cash Flow and Quality of Earnings

8 – 12 February 2027

London - Central London four-star



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### Introduction:

Credit committees, investment teams and boards receive published accounts every quarter, yet many reviews stop at headline profit and a handful of ratios, missing weak cash conversion, aggressive revenue recognition or thinning debt headroom until the damage shows. This Core Concept course builds advanced financial statement analysis skills for professionals who judge other companies from their annual reports: horizontal and vertical analysis, ratio families, DuPont decomposition, cash flow and quality of earnings tests, red flag detection and a lender's view of debt capacity. Participants finish with an Analyst Report on a real published company, benchmarked against peers.

### Course Objectives:

- Restate published income statements, balance sheets and cash flow statements into an analyst format with horizontal and common-size views
- Diagnose profitability, liquidity, solvency and efficiency using ratio families interpreted against peers and business model
- Decompose return on equity with three-step and five-step DuPont analysis to locate the true drivers of shareholder returns
- Assess cash conversion and quality of earnings by reconciling profit to operating cash flow and testing accruals and one-off items
- Detect accounting red flags and creative accounting patterns in revenue, expenses, working capital and note disclosures
- Produce an Analyst Report that states a performance, earnings quality and credit opinion supported by peer benchmarking evidence

### Target Audience:

- Professionals who assess corporate borrowers and counterparties from their published accounts
  - Investment and research staff who form views on listed and private companies
  - Finance managers who benchmark their organisation against competitors and suppliers
  - Internal audit and risk staff who review the financial health of business partners
  - Business development and mergers staff who screen acquisition or partnership targets
  - Treasury staff who monitor the financial strength of banks, customers and key suppliers
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## Course Outline:

### Day 1: Reading Published Accounts as an Analyst

- Annual Report Anatomy: Primary Statements, Notes and Management Commentary
- Analyst Restatement Template for Income Statement and Balance Sheet
- Horizontal Trend Analysis with Year-on-Year and Indexed Growth
- Vertical Common-Size Analysis of Cost Structure and Asset Mix
- Business Model and Industry Economics Map Before the Numbers

### Day 2: Ratio Families and DuPont Decomposition

- Profitability Ratios: Gross, EBITDA, Operating and Net Margin Analysis
- Liquidity Ratios: Current, Quick and Cash Ratio Interpretation
- Efficiency Ratios: Receivable, Inventory and Payable Days and the Cash Conversion Cycle
- Solvency and Leverage Ratios: Gearing, Net Debt to EBITDA and Interest Cover
- Three-Step and Five-Step DuPont Analysis of Return on Equity

### Day 3: Cash Flow Analysis and Quality of Earnings

- Operating, Investing and Financing Cash Flow Pattern Reading by Life-Cycle Stage
- Profit-to-Cash Reconciliation and Cash Conversion Ratio
- Free Cash Flow to Firm and Maintenance Versus Growth Capital Expenditure
- Accruals Ratio and Sustainable Versus Non-Recurring Earnings Separation
- Adjusted EBITDA and Alternative Performance Measures Scrutiny

### Day 4: Red Flags, Creative Accounting and Credit Perspective

- Revenue Recognition Warning Signs: Channel Stuffing, Bill-and-Hold and Receivable Build-Up
- Expense Capitalisation, Provision Release and Reserve Manipulation Tests
- Off-Balance-Sheet Exposure: Leases, Guarantees, Factoring and Contingencies in the Notes
- Debt Capacity, Covenant Headroom and Refinancing Risk Assessment
- Distress Warning Indicators and Early Default Signals Checklist

### Day 5: Peer Benchmarking Case Study and Analyst Report

- Peer Group Selection and Comparability Adjustments for Accounting Policy Differences
  - Multi-Sector Case Study: Retailer, Manufacturer and Services Company Accounts
  - Benchmark Dashboard of Ratio, DuPont and Cash Flow Evidence
  - Analyst Report Structure: Thesis, Evidence, Risks and Recommendation
  - Analyst Report Presentation and Peer Challenge Panel
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## Skills You Will Gain:

- Common-Size Analysis
- Ratio Interpretation
- DuPont Decomposition
- Cash Conversion Assessment
- Earnings Quality Testing
- Forensic Red Flag Screening
- Credit Risk Judgement
- Peer Benchmarking

## Why Attend This Course:

- Leave with an Analyst Report on a real published company, tested by peers and ready to use as a template
- Spot weak cash conversion and aggressive accounting before they reach a credit or investment decision
- Explain why returns rose or fell by pointing to margin, asset turnover or leverage rather than headline profit
- Compare analysis practice with lenders, investors and finance managers from other sectors and countries

## Conclusion:

Sound credit and investment judgement rests on reading beyond reported profit. The course moves from restating published accounts and horizontal and vertical analysis, through ratio families and DuPont decomposition, to cash flow analysis and quality of earnings, then to red flags, off-balance-sheet exposure and a lender's view of debt capacity. The final day applies the full sequence to published accounts from several sectors, producing a peer-benchmarked Analyst Report with a clear opinion that participants can repeat on their next review.