



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: 9th & 10th May 2025 (8:30am-3:45pm)
Location/Venue : 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>Understanding the Borrowers</p> <p>A. Why do Businesses Borrow?</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>
2.	<p>Identifying Risk by Analyzing Business Financial Statements</p> <p>A. Identifying risk through Income Statement analysis</p> <p>Income Statement Structure</p> <p>Sales and Cost of Goods Sold Analysis Operating Expense and Net Profit</p> <p>AnalysisOther Income and Expense Analysis</p> <p>Exercise on income statement analysis</p> <p>B. How to analyze Balance Sheet</p> <p>Asset Analysis</p> <p>Liabilities and Equity AnalysisConcept of Tangible Net Worth</p> <p>Exercise on balance sheet analysis</p> <p>C. Interpreting Ratios</p> <p>Ratio Analysis ConsiderationsRatio Characteristics</p> <p>Types of Ratios</p> <p>Exercise on interpretation of ratios</p> <p>D. Cash Flow Analysis & Determining repayment capacity</p> <p>Why Bankers Focus on Cash FlowSources and Uses of Cash</p> <p>Statement of Cash Flows- Indirect MethodExercise on cash flow analysis</p> <p>E. Analyzing Projected Financial Statements</p> <p>Interpreting Projected Financial Statements</p> <p>Considerations for Constructing/Reviewing ProjectionsCase study on projected financial statements analysis</p>

FACILITATOR'S PROFILE

Mr. Sudeep Khanal

CA and Former Banker

Mr. Sudeep Khanal is a Fellow Chartered Accountant (ICAN) and a Certified Information Systems Auditor (CISA, USA). He also holds a Master's Degree in Business Administration (E-MBA) from Kathmandu University (KU). He has nearly two decades of post-qualification experience, including:

- One year heading the Internal Audit function at Soaltee Group.
- Two years at Rastriya Banijya Bank (during the financial reform period) as Compliance Officer and Head of the Internal Audit Department.
- Over a decade at Nepal SBI Bank as Head of the Internal Audit and Compliance Department, Branch Manager, and Regional Manager.
- About two years at NIC Asia Bank as Chief Corporate Banking Officer, Chief Support Officer, and Assistant CEO.

After retiring as the Assistant CEO of NIC Asia Bank, he resumed his Chartered Accountancy practice. Thus, he has accumulated nearly two decades of experience in managing business, risks, and operations in the banking industry. Additionally, he has been working part-time as a trainer for over 10 years. His areas of training expertise include Credit Management, Risk Management, and Risk-Based Internal Audit. He implemented the risk-based internal audit system at Nepal SBI Bank Ltd when he was the Head of the Internal Audit Department. Through his audit firm, he also provided consulting services for writing the Risk-Based Internal Audit Manual for Rastriya Banijya Bank and trained the bank's internal audit staff on conducting Risk-Based Internal Audits. He also trained the Internal Audit Department of Nepal Bank Limited on implementing a Risk-Based Internal Audit. He has completed the first phase of consulting services for the implementation of the Risk-Based Internal Audit system at Nepal Electricity Authority. He has provided RBIA trainings to more than 30 batches of commercial bank staff.