

Forensic Cash Flow Analysis

April 23-24, 2007

**Grange City Hotel
London, UK**

Forensic Cash Flow Analysis Course

Day one: Monday, April 23, 2007

09:00 Registration

Cash flow cycle analysis is a simple yet powerful tool that is as useful in the absence of financial statements as it is in cases of full disclosure.

09.15 Cash flow cycle analysis

Learn and practice the theory and art of cash flow cycle analysis. Apply this technique to various cases to reveal for yourself its magical decision-supporting power.

10:30 Break

Cash flow statements are either ignored by analysts or accepted as reflecting the truth. cash flow holds the key to repayment so it is vital that cash flow statements are understood for what they represent: imperfect portents of the future.

11.00 An Introduction to cash flow statements

How GAAP and IAS-conforming cash flow statements are constructed.

- The cash flow statement is far more important than either the balance sheet or the income statement in revealing information about a company.

12:30 Lunch

14.00 Creating a cash flow statement (indirect method)

Review GAAP and IAS-conforming cash flow statement theory.

- Practice creating cash flow statements based only on balance sheet and profit and loss statement information, employing the most popular method used by reporting companies, the indirect method, in order to consolidate understanding of the theory.
- Participants will work through several examples in order to clarify understanding of the source of the figures reported in published cash flow statements.

17:00 End of day one

Day Two: Tuesday, April 24, 2007

Sweep aside all the lies found in many annual reports, and focus on the real story: the story many CEOs and CFOs do not want us to read. Learn to detect and anticipate deteriorating cash flow quality and quantity. Interpret the impact of key cash drivers. Find out how to predict deteriorating debt capacity.

09:00 Forensic cash flow analysis: some tricks of the trade

Learn how to mislead analysts using a conforming cash flow statement

- Revenue from discontinued operations provides fertile ground for subterfuge
- Taxes paid are a serious means by which to deceive
- Capital expenditure – what an opportunity!
- Trading securities occasionally is perfectly acceptable, or is it?
- Tax breaks on employee stock/share options exercised in the US - what a gift!

10:30 Break

11:00 Constructing a liquidity analysis and forecast: learn to adjust a common reported cash flow statement, to establish:

- Sustainable operating cash flow (sOCF)
- Free cash flow (FCF)
- Past and predicted future liquidity

12:30 Lunch

Put the lessons learnt into practice to uncover interesting truths about an authentic audited cash flow statement, a syndicate-based exercise.

13:30 Case study: forensic cash flow and liquidity analysis

A detailed example will be presented and discussed. A worksheet providing a step-by-step guide to forensic cash flow analysis in practice will be supplied and explained.

15:00 Break

15:30 Title to come

Participants will analyse extracts from a set of audited financial statements, and construct an adjusted cash flow analysis for the example company. Compare results with those produced by other syndicates.

17:00 End of workshop

The teaching philosophy

The course is highly interactive and imparts a practical skill that participants can immediately utilise in their day-to-day work.

The emphasis from the outset is on participation; meaning learning by 'doing', by asking questions, and by contributing.

Participants take away background information, the examples, the work produced during the sessions, and a template to use when analysing counterparties or their own companies in future.

Course structure

This two-day course is designed for a maximum of 20 participants, and is based on US GAAP and IAS 7 rules.

It begins with a discussion of the cash flow cycle and its predictive powers. This is followed by an introduction to traditional cash flow analysis, to ensure that all participants have a good understanding of the basic concepts and conventions. This includes an opportunity for participants to complete a traditional cash flow analysis, working in syndicates.

The second phase entails an introduction to the most common ways in which a traditional cash flow statement can be misleading; through a presentation with examples.

The whole group then works through an example of a forensic cash flow analysis, guided by the workshop leader.

Finally the participants complete a forensic cash flow analysis, working in syndicates, and compare their findings with the other groups.

Who Should Attend?

- Credit analysts
- Financial analysts
- Corporate bankers
- Credit managers
- Venture capital executives
- Corporate lending officers
- Treasury managers
- Chief financial officers

All participants should have a working knowledge of the traditional balance sheet, and profit and loss statement.

Background

Parmalat: When the scale of Parmalat's problems emerged, Standard & Poor's (S&P) was forced to downgrade the company's stock from investment grade by eight notches, later abandoning a rating altogether. Investors are wondering if the agency's other ratings are now to be trusted. (*The Sunday Times* 04.01.04)

Traditional methodology is undoubtedly useful in producing data for the elegant mathematical models favoured by investment gurus, fund managers, and credit derivative traders. However from the point of view of protecting investors, bankers, and creditors from rogue management and overpaid dim-witted directors, it is evidently useless.

Many professional analysts are now shifting the focus of their financial analysis away from the balance sheet and income statement, to the cash flow statement.

Most debt-issuing companies follow US Generally Accepted Accounting Principles (GAAP) or International Accounting Standards (IAS 7) rules, when they prepare cash flow statements.

It is widely believed that the cash flow statement is not vulnerable to manipulation because these rules have instilled a sense of confidence, designed as they are to ensure transparency and consistency. In fact GAAP and IAS 7 in attempting to ensure consistency often actually create misleading results. In addition these rules provide corporate management with several opportunities to 'legally' manipulate the key 'operating cash flow' figure.

This realisation has seen the recent development of the inexact science of forensic cash flow analysis as an early 21st century tool for credit research. The art of forensic cash flow analysis aims to predict the sustainable operating cash flow (sOCF), and subsequently the free cash flow (FCF) and future liquidity of a company.



Workshop leader, Ron Wells

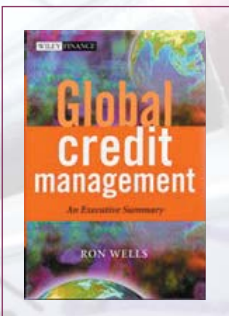
Ron is the author of an exciting book titled *Global Credit Management - An Executive Summary*. In this work Ron presents an overview of the powerful contribution that holistic credit management can make to any business enterprise in the 21st century.

This highly readable book explains the current situation and new developments underway in this key area of management. Also provided are detailed 'how to' guides for professional credit managers.

Ron is a Certified Credit Executive, Associate of the Chartered Institute of Bankers, Associate of the Chartered Institute of Management Accountants, and a Fellow of the Institute of Chartered Secretaries & Administrators.

He has 22 years of commercial banking, corporate banking and trade finance experience, plus 15 years of experience in international corporate credit management. Ron has travelled widely in Europe, the Commonwealth of Independent States (including Russia), Africa, China and the US. Ron has met many credit professionals, including corporate credit executives and bank officers.

In March 2004 and May 2006 Ron led the Forensic Cash Flow Analysis modules of the highly acclaimed Power of Credit course that provided inter-active lectures and hands-on syndicate projects, enabling participants to acquire practical skills and key knowledge from leading practitioners.



Text book (supplied)

Wells, R K (2004) *Global Credit Management – an Executive Summary*, published by John Wiley & Sons Ltd, Chichester, UK (for details see www.barrettwells.com/gcm.html)

Course details at a glance

Date: April 23-24, 2007
To book: Tel: +44 (0) 20 8673 9666
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Email: info@exportagroup.com
Website: www.gtreview.com
Venue: Grange City Hotel,
London, United Kingdom

Travel & Accommodation

Delegates are responsible for the arrangement and payment of their own travel and accommodation.

A preferential rate has been negotiated for you at **The Grange City Hotel**.

Upon registration a booking code will be provided so you may take advantage of a special discount available at **The Grange City Hotel**.

Please reserve your room directly with the hotel.

The Grange City Hotel

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