



CONTENT AND METHODOLOGY OF THE PROJECT TRAINING MODULE:

FINANCIAL REPORTING AND ANALYSIS AS A STRATEGIC INSTRUMENT OF THE EWC

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BACKGROUND

- ▶ All financial decisions in both the private and public sector use accounting information as the basis for action. Good control of financial accounting, or more broadly, financial reporting, permits to explain past financial decisions (but also to initiate strategic actions, grounded on financial information). Financial reporting has its own language and may take a variety of presentations. Additionally, accounting systems, including the authoritative guidance for financial reporting, are not identical across firms and countries. To understand financial reporting, EWC members need to learn the underlying concepts which will make them able to interpret financial information and forecast future developments.
- ▶ At the same time EWC members are confronted with new management concepts on a European scale: shareholder value, value oriented management, processes of change. In order to participate in such changes and to manage different interests of employees, the EWC has to know the company financial situation, company strategy of the day and the logic behind the concepts.



BACKGROUND

- ▶ The general conditions for workplace representatives are quite different in the individual countries, hence the EWC has first to clarify the following questions:
 - is economical data at all accessible to the EWC's members?
 - are the relevant figures accessible at the right company level?
 - are decisions made by national management or by product resp. division managers within the group?

TARGETS

- ▶ The participants receive important background information allowing them to develop a self-image of the EWC and perspectives of action in the following fields:
 - support to the national representation,
 - development of a joint EWC position,
 - coordination of transnational issues,
 - representation of employees' interests towards central management,
 - development of employment-oriented alternatives.

- ▶ This training will focus on two areas:
 - gaining a thorough understanding of how to read financial documents, especially a set of financial statements,
 - fully understand the process of financial reporting.

- ▶ During this training it is possible to set principles in order to develop an EWC information system and to find arrangements within in the EWC on how far concessions could go toward central management.



LEARNING OBJECTIVES

- ▶ „Financial Reporting and Analysis under IFRS as a strategic instrument of the EWC” is a training set that will prepare EWC members to understand the business strategy and its financial implications. In the end of the training set, EWC members will:
 - indicate the sources of information,
 - familiarly use accounting terminology and understand to some extent accounting regulation,
 - understand the economic context of the financial reporting and the interplay between different interested parties in this process,
 - interpret trends and encounter red flags in the four financial statements (balance sheet, income statement, cash flow statement and the statement of shareholder’s equity),
 - distinguish the interrelation between those statements and understand their limitations,



LEARNING OBJECTIVES

- understand and interpret all types of ratios related to the company's financial position,
- be able to predict the impact that a change in internal (i.e, a change in an accounting method) and external factors (i.e., economic conditions) should have on the financial results of a company – data contextualisation,
- understand different cultures in using economic data (e.g. German codetermination, Latin consultation model, Anglo-Saxon habits),
- understand economic and financial data confidentiality,
- indicate ways of solving disputes about access to information and its confidentiality,
- economic data and their importance to the representation.



TRAINING CONTENTS [1]

▶ **Introduction to Financial Statement Analysis:**

- Concept and objectives of Financial Statement Analysis
- Relationship between Financial Statement Analysis and business assessment: the key variables in the analysis, and the corporate financial management of the company
- The accounting information and the Financial Statement Analysis
- The analysis of the quality of accounting information: audit as formal analysis of financial statements
- General techniques and tools used in Financial Statement Analysis
- Limitations and considerations for the economic and financial analysis

TRAINING CONTENTS [2]

- ▶ **Most usual information for economic and financial analysis:**
 - The structure and information about the Annual Statements in the IRFS legislation and analysis of its components:
 - The Balance Sheet
 - The Income Statement
 - The accompanying Notes
 - The Cash-Flow Statement
 - The Statement of Changes in Equity
 - Preparation of financial statements for analysis
 - The levels of "quality" of the outcome: The income statement by margins
 - The analytical Income Statement: determining and importance of the added value
 - The Management Report, the segmented financial statements, intermediate financial statements and the reports of independent appraisers
 - Limitations of financial statements as instruments of analysis: seasonality

TRAINING CONTENTS [3]

- ▶ **Horizontal and vertical analysis of the Balance Sheet and Income Statement:**
 - Vertical percentage
 - Horizontal percentage
 - Index numbers

- ▶ **Analysis and control of the financial situation in the short term:**
 - Concept of Working Capital: financial balance
 - Working Capital Requirements (NOF) and its relationship with the Working Capital
 - The average period of maturity or operating cycle
 - Actions to shorten the period of maturity



TRAINING CONTENTS [4]

- ▶ **The Cash-Flow Statement and the Statement of Changes in Equity:**
 - The Cash-Flow: meanings
 - Building and interpretation of the Cash-Flow Statement and usefulness for analysis
 - Building and interpretation of the Statement of Changes in Equity

- ▶ **Ratios: Tools for the analysis of liquidity, solvency, profitability and risk:**
 - Ratio analysis: definition and considerations
 - Financial ratios: ratios for the analysis of the liquidity and solvency
 - Economic ratios:
 - Profitability
 - Debt
 - Liquidity
 - Cash flow management
 - Labour Productivity



TRAINING CONTENTS [5]

- ▶ **Analysis and control of the Risks in the company: Breakeven Point, Operating and Financial leverages:**
 - The Risk in the company: the economic risk and the financial risk.
 - The Breakeven Point
 - The particular critical points of the products and the breakeven point of the global profitability.
 - The operating leverage
 - The financial leverage: different situations of financial leverage



TRAINING CONTENTS [6]

- ▶ **Confidentiality of economic and financial data in individual national legal systems:**
 - Definition of confidentiality
 - Scope of confidentiality
 - Procedures related to confidentiality of information

METHODS

- ▶ Conducting the training is based entirely on interactive learning.
- ▶ Following methods selected for the training:
 - lectures – with theoretical and practical character, so that, based on the theory will be explained both from a doctrinal point of view and from its real application in the business world;
 - discussion – sharing best practices and experience;
 - cases analyses – training contains a number of group exercises which will allow participants to apply what they have learned (study groups may have 4 to 5 members)
- ▶ EWC members participation will be highly valued, as well as his / her criticism and debate capacity.



DURATION

- ▶ 20 hours (2,5 days):
 - the first training day: from 09:00am to 5:00pm,
 - the second training day: from 09:00 to 05:00pm,
 - the third training day: from 09:00am to 01:00pm





THANK YOU FOR YOUR
ATTENTION

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