

Design and Evaluation of Business and Real Investments and Economic and Financial Analysis of Business Risk

General Objectives:

At the end of the course, trainees should be able to analyze a company, from the economic and financial accounting elements, in the various areas of business risk, both from the point of view of the entrepreneur, as well as the creditor or the entrepreneur and should also be able to analyze a company or an investment, from the economic and financial accounting elements and other relevant sources to be defined on a case-by-case basis. The investment decision is one of the most important strategic options, both for the promoter company and for all stakeholders involved, namely partners / shareholders, banks and other creditors, employees, etc.

For this purpose, they should be able to develop, in Excel, an economic and financial model for a chosen business. They should be able to calculate a rating based on quantitative and qualitative criteria according to the proposed model.

Specific Objectives:

At the end of this Course participants will be able to:

- Understand the scope, importance, classification and phases of an Investment Project;
- Perform the Economic Feasibility Analysis of the Investment Project, from different perspectives;
- Understand, relate and make the economic and financial diagnosis of the Investment Project, and its impact on the Forecast Financial Statements.

Recipients:

This Course is intended for Managers and Managers with responsibility for the preparation, evaluation and decision on investment projects, namely: Financial Managers; Account Managers (Banking and other Financial Institutions); Project Analysts (Research Offices); Financial Consultants; Managers of Venture Capital

Companies; Directors of Business Units; Financial and Management Control Directors; Business managers in areas of credit to companies.

Pre-Requirements:

Basic concepts of corporate finance or business accounting required.

Duration:

40 Hours

Content Program:

Module I - Economic and Financial Analysis of Business Risk

- The modeling process - topics;
- Basic elements of financial information in companies - The input of historical elements;
- Excel - functions, formulas, style elements, automation, sensitivity table;
- Modeling estimates, sources of information, model audit;
- Business risk financial analysis module (includes application to group work);
- What is risk? Risk and return models. Default risk;
- Sources of information. Performance evaluation and prediction of bankruptcy and default. Risk analysis. A proposed rating model - application to group work and discussion of results;
- Cash flow analysis and forecasting - application to group work;
- Sensitivity analysis and critical point. Simulations and monte Carlo method - application to group work;
- Optional additional topics: Decision trees. Portfolio formation and risk reduction. The modified CAPM with country risk. Other models. Opportunity cost of capital.

Module II - Evaluation / Analysis of an Investment Project - (Business Optics)

- Concept of Cash-Flow:
 - Cash-Flows or Free Means of an Investment Project: Cash-Flows of Operation and Investment (Fixed and Current);

- Accounting Depreciation in the calculation of Project Cash-Flows;
 - Schematic view (conceptual and temporal) for its calculation;
 - Financing Investment Projects with Third Party Capital;
 - The problem of Financial Charges in the evaluation of Investment Projects;
 - Present Value (PV) of the fiscal savings of financing interest;
 - Its importance in investment appraisal.
- Investment Project Appraisal Optics:
- The discount rate (TA) of Cash-Flows;
 - Its conceptual formulation;
 - Economic profitability perspective;
 - NPV - Net Present Value;
 - IRR - Internal Rate of Return;
 - TIRI - Integrated Internal Rate of Return;
 - IR - Profitability Index;
 - Comparative overview of NPV and IRR;
 - Economic and financial profitability perspective;
 - NPV - Adjusted Present Value (APV);
 - Investment recovery or Pay-Back Period perspective;
 - Risk/uncertainty perspective: Decision Theory and Statistics.
- Analysis of Projects at Constant Prices versus Current Prices.

Module III - Diagnosis of the Project's Forecast Solvency

- Forecast Financial Statements;
- Their importance in monitoring and controlling the performance of the Project/company;
- Operating Account (Income Statement);
- Balance Sheets;
- Cash Flow Statement;
- Financial Plan;
- Key ratios and indicators;

- Post-project evaluation: the Creating Shareholder Value and the Effective Internal Rate of Return (EIRR).

Module IV- Valuation of Businesses and Real Investments

- Business and real investment valuation module (includes job application);
- Why valuation? "Cash is King". Value creation. Valuation methods;
- The cost of capital for companies and projects. Historical analysis and forecasting. From earnings to cash flows. Valuation of assets vs. equity. Continuing and terminal value. Calculation and interpretation of results;
- Valuation topics - multi-business, cyclical business, international business and country risk, emerging markets, expansion and new business, unlisted companies.