MBA
FINANCE 28.08.2020
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Discuss 2.16
IM 2.4

CH 2 COST TERMS – ONE PAGE

Discuss p.31

Repetition!

Cost Objects

Hierarchy?

Direct Costs

Indirect Costs

?

Cost Allocations

Product Costs

Relevant Costs

Sunk Costs

Incremental Costs

Variable

Semi Variable

Period Costs

Irrelevant Costs

Opportunity Costs

Marginal Costs

Fixed

Semi Fixed

- Preparation of financial statements requires the use of professional judgment in the adoption of accountancy policies and estimates. Prudence requires that accountants should exercise a degree of caution in the adoption of policies and significant estimates such that the assets and income of the entity are not overstated whereas liability and expenses are not under stated.
- The rationale behind prudence is that a company should not recognize an asset at a value that is higher than the amount which is expected to be recovered from its sale or use. Conversely, liabilities of an entity should not be presented below the amount that is likely to be paid in its respect in the future.
- There is an inherent risk that assets and income of an entity are more likely to be overstated than understated by the management whereas liabilities and expenses are more likely to be understated. The risk arises from the fact that companies often benefit from better reported profitability and lower gearing in the form of cheaper source of finance and higher share price. There is a risk that leverage offered in the choice of accounting policies and estimates may result in bias in the preparation of the financial statements aimed at improving profitability and financial position through the use of creative accounting techniques. Prudence concept helps to ensure that such bias is countered by requiring the exercise of caution in arriving at estimates and the adoption of accounting policies.
- **Example:**
- Inventory is recorded at the lower of cost or net realizable value (NRV) rather than the expected selling price. This ensures profit on the sale of inventory is only realized when the actual sale takes place.
- However, prudence does not require management to deliberately overstate its liabilities and expenses or understate its assets and income. The application of prudence should eliminate bias from financial statements but its application should not reduce the reliability of the informatio

PRUDENCE – HVAD BETYDER DETTE FOR REGNSKABER? – FOR RISIKO? FOR VÆRDIANSÆTTELSER?

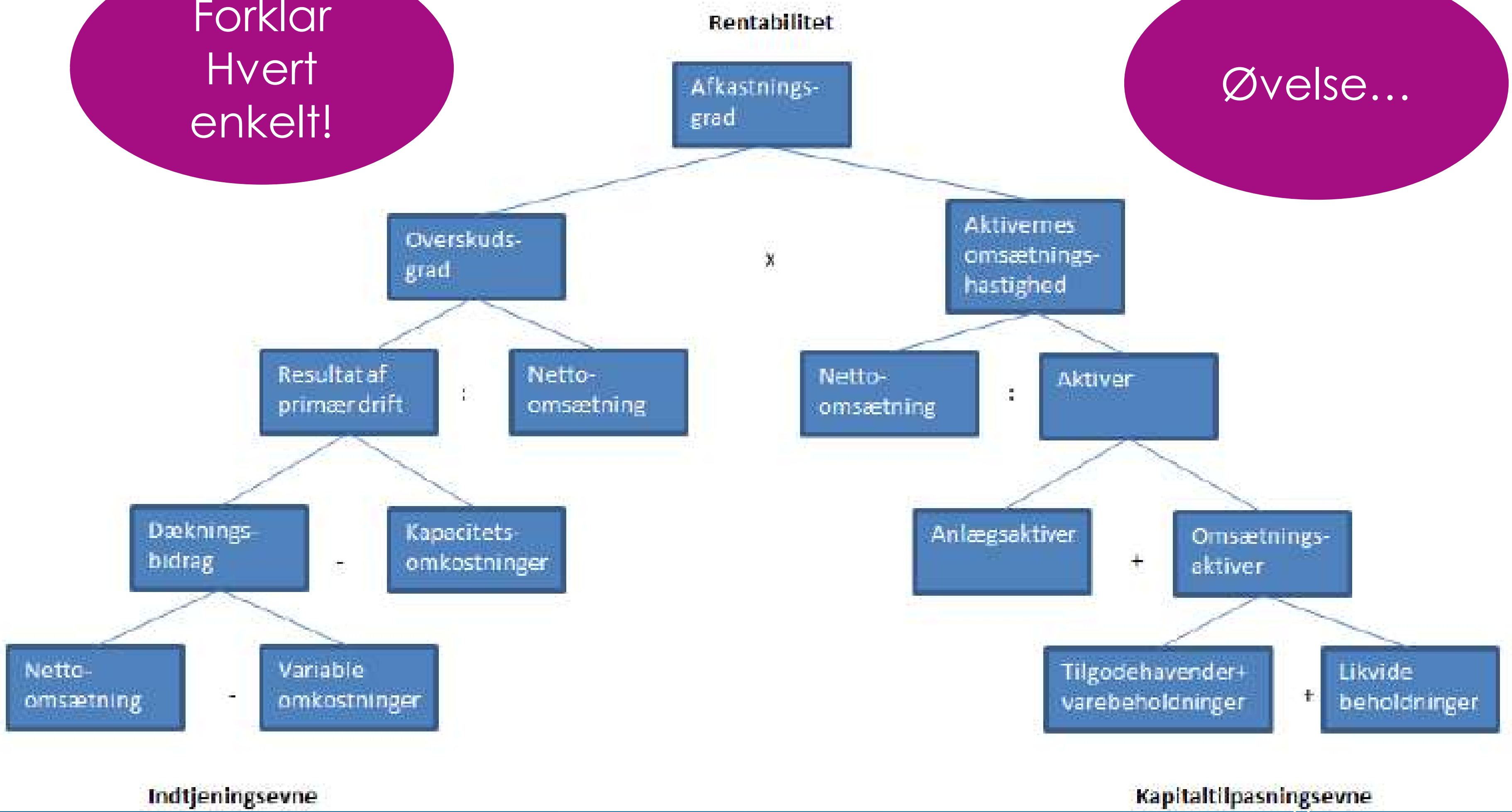
Playback!

- Part One: Financial Analysis
  - Jensen Group 2019

Du Pont modellen

Forklar Hvert enkelt!

Øvelse…



Engelske begreber – Primær drift: EBIT

EBITDA - (Earnings Before Interest Taxes, Depreciations and Amortizations

EBITA – EBIT (before Interest and Taxes)

BUSINESS OBJECTIVES

Profit Maximizing

On Capital Employed

Survive

Growth

Long Term Stability

Satisficing

Shareholder Value

What, exactly, are we striving at?

Remember the two rules?

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Regnskabsanalyse i praksis

P/L Analysis
-Budget/PY
-Indeks
-Nøgletal

Analysens formål?
Relevante nøgletal?
Analyse af nøgletal?

Husk Sammenligning!

BS Analysis
-Budget/PY
-Indeks
-Nøgletal

Step 1

Cash
-Budget/PY
-Indeks
-Nøgletal

Ratio Analysis
-Budget/PY
- Market

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RATIO POINTS TO REMEMBER – STEP II

Ratio Comparisons
-Against budget and PY
- Other expectations (externa
-Other companies
-Industry averages

Ratios Purpose
-Document
- are used for budgeting
-Can give analytical input

Other Ratios?
-Revenue pr FTE
-Result pr FTE
- anything relevant is possible!

Analytic Challenges
-Calculation Method?
-Accounting Practice?
-Time (season, period etc.)
-Contractual terms
-Business standards

Virksomhed A sammenligner sig med virksomhed B. Debitorernes omsætningshastighed er bedre i virksomhed B – hvilke spørgsmål vil du nu stille?

Giv Eksempler

Efficiency Ratios

	Formula
Average inventory turnover period	$\frac{\text{Average inventory held}}{\text{Cost of sales}} \times 365$
Average settlement period for receivables	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$
Average settlement period for payables	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$
Non-current asset Turnover	$\frac{\text{Sales}}{\text{Non-current Assets}}$
Sales per employee	$\frac{\text{Sales}}{\text{Number of employees}}$

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Udarbejd regnskabsanalyse

- Part Two: Valuation

TRAINING

Financing

Virksomheden ”All United” vil gerne finansiere virksomhedens opkøb af en af virksomhedens mindre konkurrenter. Virksomheden er ikke børsnoteret. Opkøbet har en pris på 2 mia DKK.

Banklån kan opnås for 1 mia DKK og har earnings covenants
Aktieemission kan foretages, men udvander ejerens ejerandel
Skulle virksomheden måske børsnotere sig i stedet?
Hybrid Capital – er det en mulighed?

Hvad vil du gøre? Notér, hvilke overvejelser du gør dig – og hvorfor du gør dig disse overvejelser

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Intro!Ch 4 – Investments One Page

Investments

Non Current → Fixed Assets

Investment Accounting

Current → Held for Sale

Inventory

The Investment Decision

Opportunity Costs

Inflation

Risk

Net Present Value — Example 4.1 C1/(1+r)

Internal Rate of Return — Example p 89 top

Payback Period — Figure 4.4

Example 4.4

Ch 10 Warm Up

Equity

Cost of Equity – Interest and Risk Premium

Other

Cost of Financing – Interest (Inflation + Risk + ?

WACC

Target Gearing is used
Finance Percentage of Equity * Cost of Equity
Finance Percentage of Other * Cost of Other

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CH 10 VALUATION

Virksomheden New A/S har købt virksomheden Exciting A/S for 98 mDKK i 2016.

Efter optagelsen af lånet til købet, udgør egenkapitalen i New A/S 440 mDKK svarende til 40% af Equity + rentebærende liabilities.

Opgave:

Beregn NPV, IR og Payback

1000 kr	**2015**
Revenues	12000
Cost of Sales	-4500
Gross Profit	7500
Administration	-250
Distribution Costs	-150
Operating Profit	7100
Depreciations	
EBIT	
Operating Profit Index	7100
Note 1	
Exciting A/S owns a patent which runs out in 2026	
The company holds no other inventions	
Note 2	
Distribution Costs includes - 50 in yearly depreciations, until 2022	
Note 3	
The owner has taken up a bankloan at 4,5% interest annually to invest in the Company	
Assumed requirements for return on Equity is set at 10% (before tax)	
Note 4	
Tax Percentage is 0 %	
Note 5	
No Capex and No Working Capital	
Forecast Assumptions	
Product Pricing will follow the inflation of + 2%	
Demand will increase with 5% annually	
Cost of Sales will decrease - 2% in price	
Administration Costs will increase with inflation	
Distribution costs will increase with 5% on price and half of the product volume increase	
Assignment - Please Calculate:	
Net Present Value	

- Part Three : Introduction

FE2 – Prioritize!! ANALYZE!

The case study should cover but it should not be limited to the following aspects:

(1) Introduction and background of the industry in Denmark
(2) Intro**duction and background** of the 2 companies within the industry
(3) **Analysis of qualitative information** including chairperson's statement, director's report, auditor's report, look and feel of the annual reports, photos, graphs, tone of language, etc.
(4) **Computation of ratios** in various groups including liquidity, profitability, solvency, activity, valuation, etc. (calculation should be done for both the years for both the companies).
(5) **Comparative analysis** of the financial performance of both the companies over 2 year period (using the above calculations and other literature).
(6) **Comparative analysis** of the 2 companies **vis-a-vis the industry** (using the above calculations and other literature).

Prioritize – make shure you cover what is asked for – and that you do ANALYSIS – Say something intelligent.. – make it all count!

Revisionserklæringer

Revisor er offentlighedens tillidsrepræsentant ved afgivelse af revisionspåtegninger og andre erklæringer med sikkerhed. Begrebet blev indført i revisorloven ved lov nr. 427 af 1. juni 1994. Det fremgår bl.a. af lovbemærkningerne, at begrebet har til formål at angive, at revisor ved udførelse af revision også skal varetage hensynet til virksomhedens omverden såsom myndigheder, medarbejdere, kreditorer og investorer, selvom revisor er valgt af virksomhedens ejere, som kan have modstående interesser. 10 Er erklæringen kun til eget brug, må dette fremgå af selve erklæringen*.

Revisor skal inddrage alle forhold, der ikke er uvæsentlige for formålet med erklæringen.

Forholdet er uvæsentligt: Ingen modifikation
Forholdet er væsentligt men ikke gennemgribende: Konklusion med forbehold
Forholdet er væsentligt og gennemgribende: Afkræftende eller ingen konklusion

Det er ledelsen der aflægger årsrapporten og denne vil være bygget på ledelsens subjektive vurderinger. Revisor skal derfor have en professionel skepsis, til den af ledelsen aflagte årsrapport, når revisor reviderer denne og ved udførelsen samt færdiggørelsen heraf. I krisetider vil ledelsen ofte være mere presset til at vise positive regnskaber, bl.a. overfor aktionærer og finansieringskilder. Dette øger alt andet lige risikoen for, at ledelsens subjektive vurderinger vil medføre en forbedring af resultat og egenkapital via for høje værdiansættelser af aktiver hhv. for lave værdiansættelser af gældsposter. Derudover kan periodiseringsposter være delvist forkerte, således at matching princippet ikke er overholdt. De medtager indtægter for tidligt og/eller omkostninger for sent. Revisor er jf. revisorloven offentlighedens tillidsrepræsentant ved afgivelse af erklæringer med sikkerhed7 og skal ved aflæggelsen heraf efterprøve ledelsens vurderinger.

***https://erhvervsstyrelsen.dk/sites/default/files/media/erklaeringsvejledningen_0.pdf**

Årsrapporten

Noterede virksomheders årsrapporter
Noterede virksomheder skal aflægge deres koncernregnskab efter IFRS. Reglerne om anvendelse af IFRS-standarderne er reguleret i IFRS-forordningen. De noterede virksomheder skal tillige følge reglerne i IFRS-bekendtgørelsen.
Noterede virksomheder kan dog vælge, om de vil anvende IFRS eller årsregnskabsloven på modervirksomhedens årsregnskab.
Såfremt virksomheden ikke er modervirksomhed i en koncern, og dermed ikke udarbejder koncernregnskab, er der krav om, at modervirksomhedens årsregnskab aflægges efter IFRS.

Hvad skal ledelsesberetningen indeholde? (p99)

Årsrapporten skal som minimum for en lille virksomhed i regnskabsklasse B bestå af følgende lovpligtige bestanddele:
årsregnskab* og eventuelt koncernregnskab,
beskrivelse af virksomhedens væsentligste aktiviteter og eventuel ledelsesberetning
ledelsespåtegning og
evt. revisionspåtegning

CH 10 COST OF CAPITAL ONE PAGE

Portfolio Theory

WACC

Real life levels?

Long Term Target Gearing Ratio

Cost of Equity?

Interest Rates
Tax
Cashflow Stability

Specific or general Risk?

Gordon Growth Model

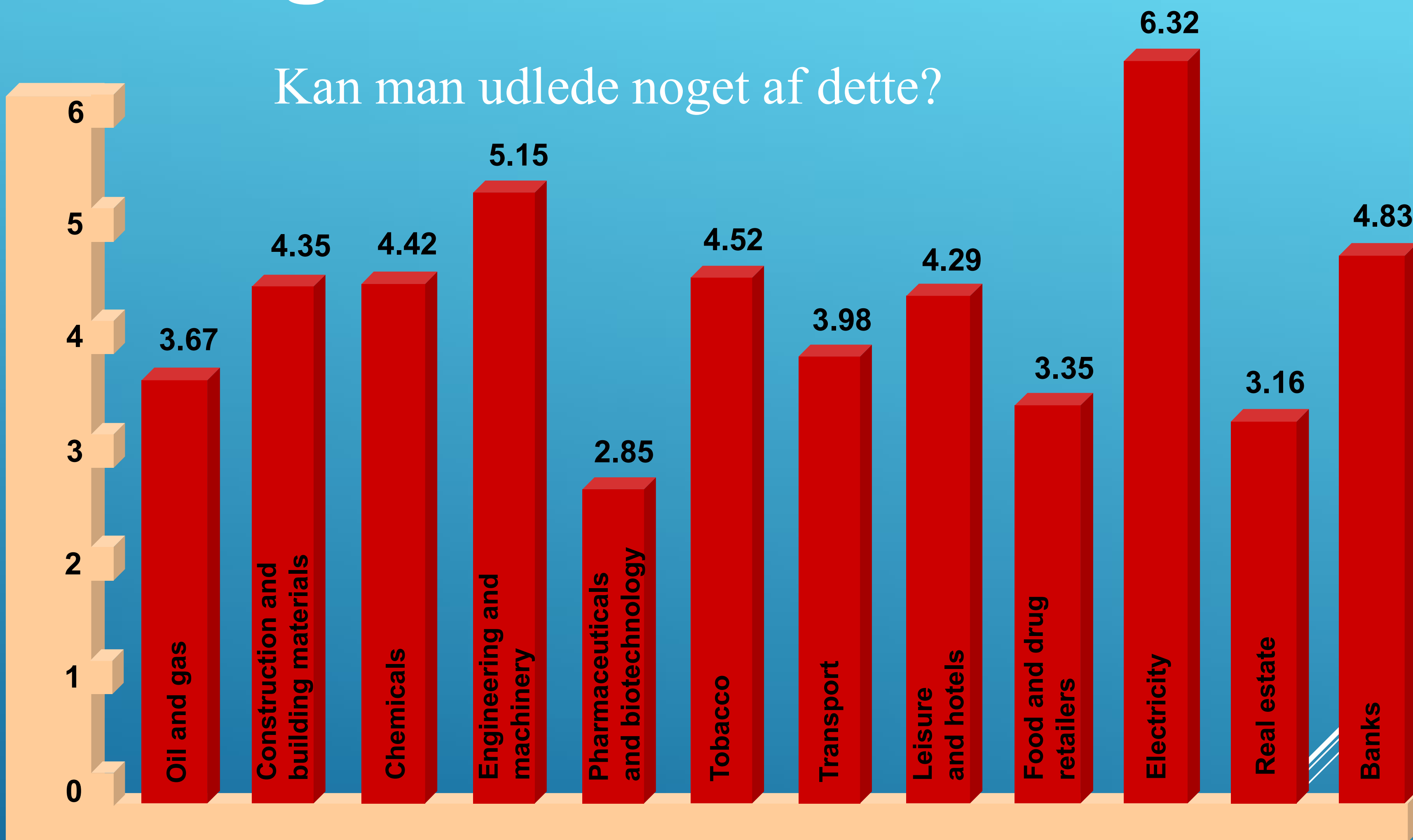
"unsystematic Risk"
- Will be diversified away

Cost of not paying dividend?

Example 10.4

Average Dividend Yield Ratios

Kan man udlede noget af dette?



Source: Constructed from data appearing in the *Financial Times*, 18 January 2003

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