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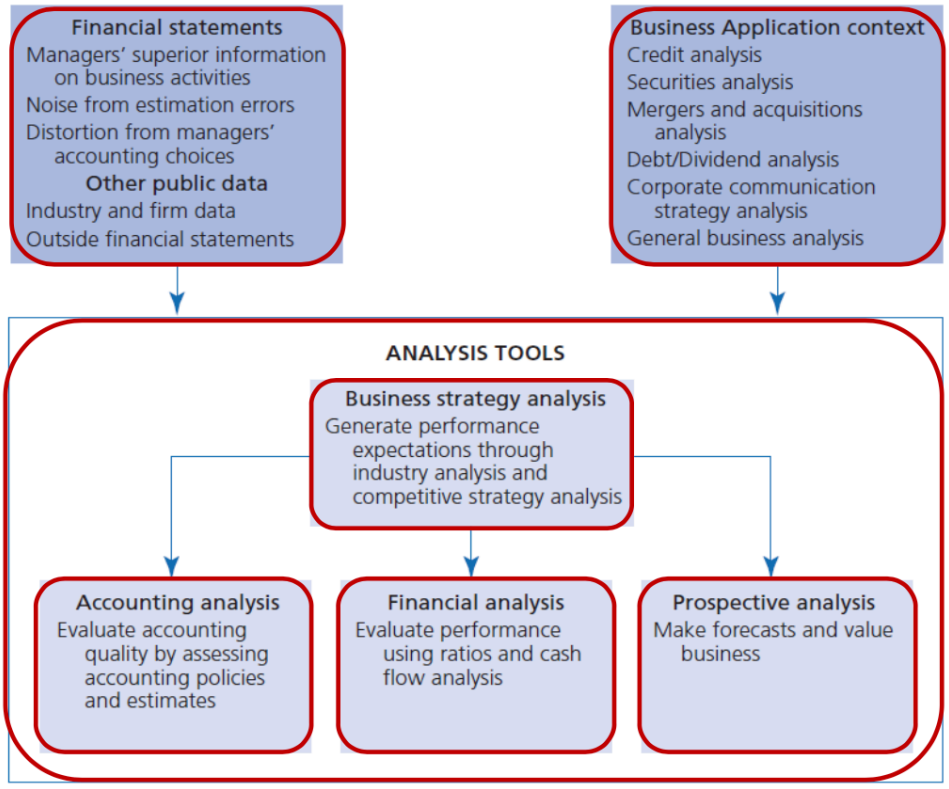
Lec 1： Introduction to the framework of business analysis and valuation



1. Business strategy analysis

a. 主要问题
   i. key risk factors
   ii. profitability driver
   iii. sustainability of current performance
   iv. future growth of performance
   v. form initial perception of future growth

b. Industry analysis 公司属于哪个行业，这个行业的平均数值咋样
   i. 公司特征和其所在行业特征基本一致
   ii. Helps to determine how the firm can outperform the peers in the industry

c. Corporative Strategy Analysis 核心竞争力

i. For differentiators, they want to be unique, the first mover ⇒ a lot of capital for R & D (对于这种公司，就要看其 R&D 的方法对不对)
ii. For cost leaders: find cost saving strategy

d. Business unit Analysis 公司策略 （**对于 multi-business organization 来说的**）
i. How well the company is managing the key profitability drivers

2. Accounting analysis

a. Map the above into accounting, 去量化上面的内容
b. Identify accounting flexibility 哪里可以有变化、做手脚的可能
c. Accounting policies (比如 LIFO 还是 FIFO 这些) and estimates 合理吗
d. Undo distortions 修正不正确的

3. Financial analysis

a. Decompose the key ratio (老的方法和新的方法，新的方法⇒ condensed BS & IS)
b. 4 groups of activities:
- operating
- investing
- financing
- dividend

c. ratio analysis
d. cash flow analysis (indirect method) ⇒ accrual analysis
e. 过去和现在的情况，未来能否持续

4. Prospective analysis

a. Forecasting:
- Use condensed BS and IS as the framework

b. Determine intrinsic value ⇒ valuation
c. 未来的各种偿付能力，然后算出企业的价值 （based on time value of money）

5. Role of intermediaries in capital markets：

a. **Financial intermediaries:** venture capitalists, banks, collective investment funds, pension funds, insurance companies ...
b. **Information intermediaries:** auditors, financial analysts, credit-rating agencies, the financial press, etc. ...

6. **Role of financial statement analysis**：
   a. Manager 知道咋回事，但不告诉大众，这时就要有 analysis
   b. Check FS data 的质量

7. 关于 **FSA** 最重要的核心观点：
   a. 因为是 accrual ⇒ based on expectation ⇒ 主观且 based on assumption ⇒ 就有可能动手脚

一定要看那些 General Entry，考试会考到

Lec 2 Business Analysis

1. what is business analysis?

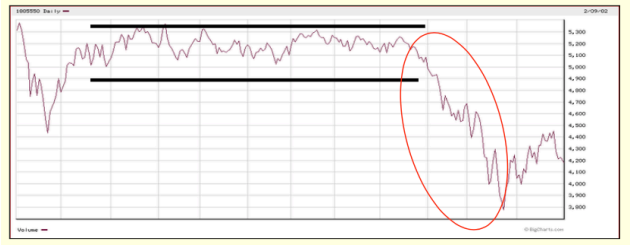
a. business analysis: identify the key profit driver and the major risks

2. efficient market hypothesis:

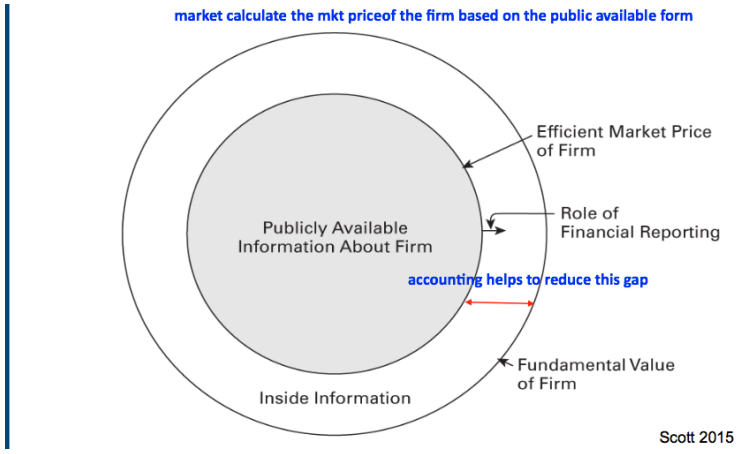
a. relevant information **of below** will be fully reflected by stock price:
   - past price (weak form)
   - publicly available (semi-strong)
   - all information (strong)

b. One way of evaluating efficiency is to see if abnormal (risk adjusted and cost covering) returns can be made from exploiting the 'inefficiency' ⇒ semi strong form

c. technical analysis 不能解释之后的 sharp decrease, 因为这不是由于 past price 的 movement 造成的，而是由公司的一些不良信息曝光造成的



d. Fundamental analysis 可以 generate private information from the public financial statements ⇒ so can be used to generate excess return in semi-strong mkt



3. Agency theory:

a. Manager and SH may have divergent objectives
b. SH may incur monitoring or contracting cost to control the manager

4. Signalling:

a. 例子就是公司向公众传达：说自己家的产品质量很好
b. For the signal to have credibility it must be costly to the signaller if untrue.

5. Accounting accruals:

a. 记住所有的什么 deferred/accrual Exp/Rev 都是 Asset 或者 Liability
   - deferred revenue: 别人给了钱，但你还没提供该服务
   - deferred expense: 你给了钱，但还没享受服务
b. buy long-term profit-generating asset:
   - match the initial cash outflow against future inflows from the investment 就是 CFA 的那些 cost recognition method
   - Spreading the cost of the goose over current and future periods
   - Depreciate the cost during the period of the life of goose
   - 一开始先记成 asset，之后慢慢变成 expense，而不是一下子就记成 expense

6. Major objectives of financial reporting

a. valuation: reduce adverse selection, provide info to outsiders, they gonna use the info to estimate the value of the firm
b. contracting: (adverse selection and moral hazard), attracting investors, reduce moral hazard

Industry Analysis:

7. A firm's strategy is heavily influenced by the industry it belongs to.

8. Industry analysis: 各行业的 FS 的特点：

a. Financial Service firms:
   - Financial assets should dominate assets ⇒ high level of cash and marketable securities
b. High tech company:
   - High R&D

- Probably high long term debt since it is usually used to support long-term asset

c. Most Capital intensive:
   - high PPE

d. Service firms:
   - Little or no inventories

e. Firms with high profit margin:
   - Brand names
   - Inventory turnover = cost of goods sold/inventory ⇒ 越大说明卖的越快

2. 通过 industry analysis 的研究来得到公司所处的大环境的特点，因为公司会被行业的整体氛围所影响

9. strength and weakness 也会被对手和环境影响：

a. rival among existing firms
b. threat of new entrants
c. threat of substitute products
d. bargaining power of buyers
e. bargaining power of suppliers

Competitive strategy analysis:

10. 找到自己的强项，最基本的有下面两个：

a. Cost leadership:
b. Product / service differentiation: