**Balance Sheet**

|  |  |
| --- | --- |
| **Assets** (of the company) | **Liabilities** (Resources) |
| Fixed assets = **tools** (intangible or tangible, financial) | Capital |
|  | Accumulated Profit |
| **Long-term** **assets ⬆** | Profit |
| **WORKING CAPITAL** | = shareholders equity  Medium / Long term loans  **Long term resources ⬆** |
| **Current assets ⬇**  Inventories (raw goods, work-in-progress products, goods, finished products)  Receivables (creance client)  ------------------------------------------------------------  Cash balance | **Current liabilities ⬇**  Short term debts (to suppliers, or social workers)  --------------------------------------------------------------  **WORKING CAPITAL REQUIREMENT**  --------------------------------------------------------------  Overdraft |

To organise items in the **left column** of the table, follow the following rule: From top to bottom, go from less liquid items to most liquid

In the **right column**, from top to bottom, go from less exigible to most exigible (soit l’ordre d’importance de paiement, en partant du haut il faut les organiser du moins important au plus important)

**Profit and loss / income statement**

|  |  |
| --- | --- |
| **Expenses** (Comsumption) | **Revenue** (Production) |
| **OPERATING** | **OPERATING** |
| **FINANCIAL** | **FINANCIAL** |
| **EXTRAORDINARY** | **EXTRAORDINARY** |

**FINANCIAL ANALYSIS**

* Look at the **INCOME STATEMENT** to assess business performance

This allows us to check the company’s **profitability** (Is the company making money? Where does it come from?).

**Net profit + depreciation = SFC** ⇐ this is the real amount that the company has to actually invest in future projects

**SFC - dividends (money owed to the shareholders) = SF (self financing) i.e** the real amount of capital that the company will be able to reinvest into!

More often than not, depreciation is higher than net profit.

**SFC is one of the most important things in financial analysis, as it’s one of the first resources the company depends on for its growth.**

* Look at the **BALANCE SHEET** to make sure that the company’s foundations are stable, to be sure that it is able to handle the profits it makes on a period

To achieve this, we need to analyse the **long term resources (1) and tools (2)** first.

1. - (2) = **Working Capital (WC)**

(Current Assets) - (Current Liabilities) = **Working Capital Requirement (WCR)**

**WC - WCR = Cash Balance**

**-------------------------------------------------------------------------------------------------------------------------------**

**NOTE A PRENDRE SUR LE DOCUMENT PAPIER**

**BUDGET & MANAGEMENT CONTROL: PROCESS-METHODOLOGY**

* **PAGE 3, I-1/ BASIC SCHEME**

**EXTERNAL INFORMATION** (on the market) to be compared with **INTERNAL INFORMATION** (about the company’s inner workings and available technology for example).  
This information allows for the company to make a forecast about what it has to do in the future to adapt to the market.

**REFERENCE FRAMEWORK:** Look at the behavior of the company, of the owner of the product. Defines ethics of the owner, and from this define a strategy that corresponds to the way the company operates.

**RACOL CASE (1er exercice a la fin du manuel)**

**→** [**TABLEAU SOLUTION**](https://docs.google.com/spreadsheets/d/1qPfZ_DsCH2GkZE8tRtXgJMY3rOMuds5_JKafBCXkwfI/edit?usp=sharing)

We need to analyse the company’s **growth**, the effects of **recession**, the costs of any **special orders**, and the amount spent on **investments**. The investments are comprised of:

* The production of 40 car in a one-year span;
* Depreciation over 5 years;
* Hire 10 new workers.

**CODE COULEUR:**

* **market demand**
* **Production capacity**
* **Sales**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Market demand** | **Growth (market : 40 cars mini)** | | | | | | | | |
| **Prod capacity** | **Special Order** | | | | **Without Special Order** | | | | |
|  | Invest 80  40 cars 60 cars | | NO Inv 40 | | Inv 80  40 60 80 | | | NO Inv 40 | |
| Sales | 20X45k  40X50k  2,9M | 20X45k  60X50k  3,9M | 20X45k  20X50k  1,9M | | 2M | 3M | 4M | 2M | |
| Raw material 20k/car  Wages  30k/worker  Depreciation  560k | 1200k |  |  | |  |  |  |  | |
| Total expenses |  |  |  | |  |  |  |  | |
| Profit |  |  |  | |  |  |  |  | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Market demand** | **Recession (market : 20 cars mini)** | | | | | | | | |
| **Prod capacity** | **Special Order** | | | | **Without Special Order** | | | | |
|  | Invest 80  40 cars 60 cars | | NO Inv 40 | | Inv 80  40 | | | NO Inv 40 | |
| Sales | 20X45k  20X50k  1,9M |  | 20X45k  20X50k  1,9M | | 2M |  |  | 2M | |
| Raw material 20k/car  Wages  30k/worker  Depreciation  560k | 1200k |  |  | |  |  |  |  | |
| Total expenses |  |  |  | |  |  |  |  | |
| Profit |  |  |  | |  |  |  |  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Recession | | | | | | | |
| SO | | | | WSO | | | |
| Inv 80 | | NO Inv 40 | | Inv 80 | | NO Inv 40 | |
|  |  |  |  |  |  |  |  |

FUCK

**VOCAB:** **EBIT**, net profit (comes after taxes), free cash flow, Self Financing Capacity (**SFC**), depreciation, weighted average

**MARKET:** Intersection between offer and demand, as far as customers and potential customers are involved. Usually, the offer is bigger than the demand in most markets.

Because of this, companies need to offer something new, unique, and/or innovative to survive. Otherwise it will be wiped out by other competitors.