

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 06: RISK AND FINANCING



Lecturer: Antoine P. Portelli

Date: 28 January 2026

**Undergraduate Diploma in
Business Administration**

Group Presentations

Each Group will be assigned, by lot, a different Annual Report. The chosen report must be used for the group presentation on Saturday, 14 February 2026's session.

- Analyse and comment on the financial performance of the company using **ratio analysis**.
- Use between **5 and 7 ratios**.
- Give the **workings** at arriving at each of the chosen ratios, indicating from where the financial information was obtained.
- **Compare the ratios** of the company for this financial year and last year's ratios.
- **Research information** about the company that you consider relevant to potential new investors.



Groups

GROUP 1	Muhammad Ahmed Chorahi
GROUP 1	Anmol Dharwal
GROUP 1	Vishal Singh Charak
GROUP 1	Ayush K C
GROUP 1	Abdullah Al Tajowar
GROUP 1	Aniket Choudhary
GROUP 2	Saiteja Palubai
GROUP 2	MD Showrav
GROUP 2	MD Kamrul Islam
GROUP 2	Yogesh Bhattarai
GROUP 2	Abdul Raheem Khan
GROUP 2	Ganga Kumari Khatri
GROUP 3	Nitisha Kandel
GROUP 3	Jayan Dhanaha Magar
GROUP 3	Ibrahim Tariq
GROUP 3	Binod Kumar Chaudhary
GROUP 3	Sameer Gurung
GROUP 3	Abhinas Dawadi

GROUP 4	Bishal Gopal Dhaubhadel
GROUP 4	Muhammad Umar
GROUP 4	Amar Shaheer Ali
GROUP 4	Dipendra Neupane
GROUP 4	Anas Mehmood
GROUP 4	Trishna Shahi
GROUP 5	Jasmeen Kaur
GROUP 5	Binisha Thapa
GROUP 5	Sujatam Prajapati
GROUP 5	Suman Kumar Basnet
GROUP 5	Deepak Kumar
GROUP 5	Hiralal Sunar
GROUP 6	Jharana Rana Magar
GROUP 6	Lebogang Kando Boiditswe
GROUP 6	Gurdeep Kaur Mann
GROUP 6	Umair Hassan
GROUP 6	Rabina Nepali

GROUP 7	Kame Bahadur Roka
GROUP 7	Nirmal Rayamajhi
GROUP 7	Amrita Pahadi
GROUP 7	Dhawa Lajum Gurung
GROUP 7	Aayush Dharni
GROUP 8	Arya Sharma
GROUP 8	Chandan Mehra
GROUP 8	Abishek Thapa
GROUP 8	Anish Gurung
GROUP 8	Biki Ganesh
GROUP 9	Joyal Kohar
GROUP 9	Shiwani Sundas
GROUP 9	Shital Kumari Das Kathbaniya
GROUP 9	Bivash Timalisina
GROUP 9	Sarens Chaudhary

Presentations

The 9 Annual Reports are:

COMPANY REF	COMPANY NAME	GROUP NO.
A	RELIANCE INDUSTRTIES LIMITED	1
B	INTERNATIONAL INDUSTRIES	2
C	HINDUSTAN UNILEVER LIMITED	8
D	UNILEVER NEPAL LIMITED	9
E	INDUSIND BANK	5
F	AL-ABBAS SUGAR MILLS LIMITED	3
G	NEPAL RASTRA BANK	6
H	BUNNY'S LIMITED	7
J	IBL HEALTHCARE LIMITED	4

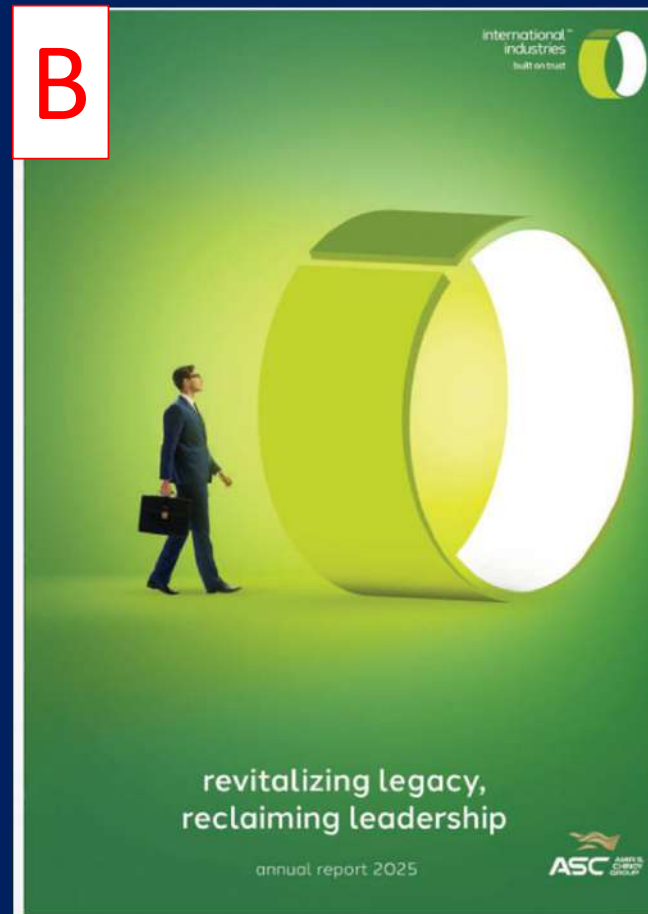


Presentation

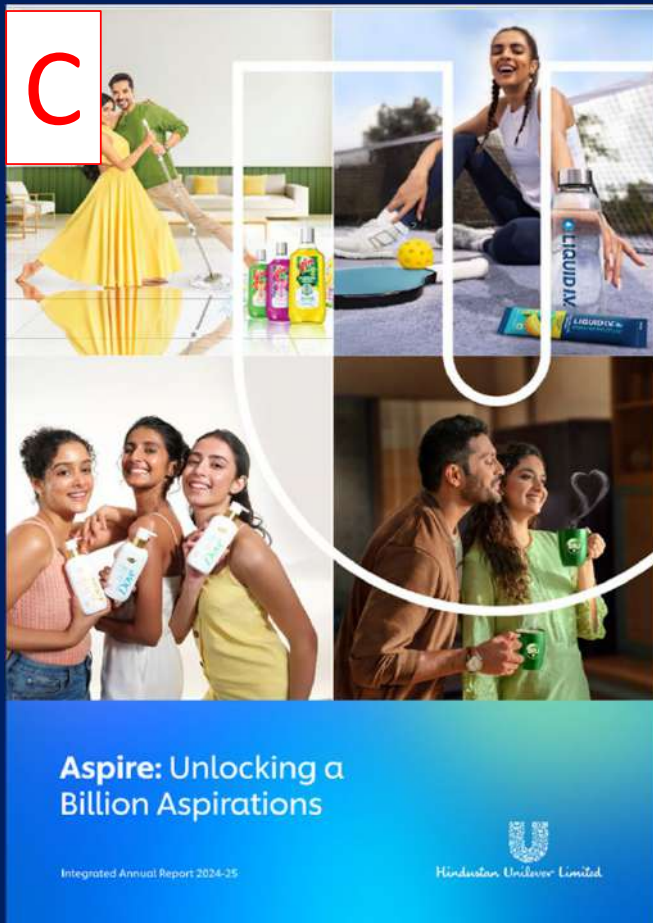
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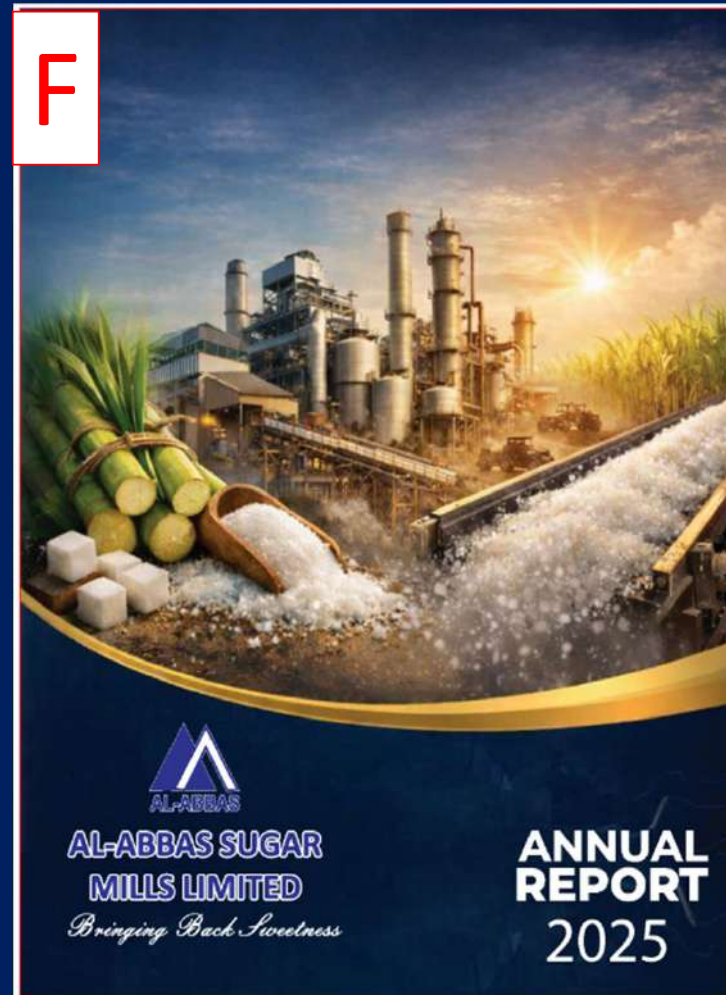
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Presentation



Presentation



Presentation

G



महालेखापरीक्षकको कार्यालय
Office of the Auditor General
बबरमहल/अनामनगर, काठमाडौं, नेपाल
Babarmahal / Anamnagar, Kathmandu, Nepal

Ref.No.-45/2082-083

Date:-11/16/2025

Independent Auditors' Report

To
The Governor,
Nepal Rastra Bank
Baluwatar, Kathmandu, Nepal

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nepal Rastra Bank ("the Bank" or "NRB" hereafter) which comprise the Statement of Financial Position as at Ashad 32, 2082, (July 16, 2025), the Statement of Net Income and Other Comprehensive Income, the Statement of Change in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements present fairly, in all material respects, the financial position of the Bank, as at Ashad 32, 2082, (July 16, 2025), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Handbook of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of the Code of Ethics for Professional Accountants 2023. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of financial statements of the current period. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters in our report.

B. B. Bhattarai

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ANNUAL REPORT 2025

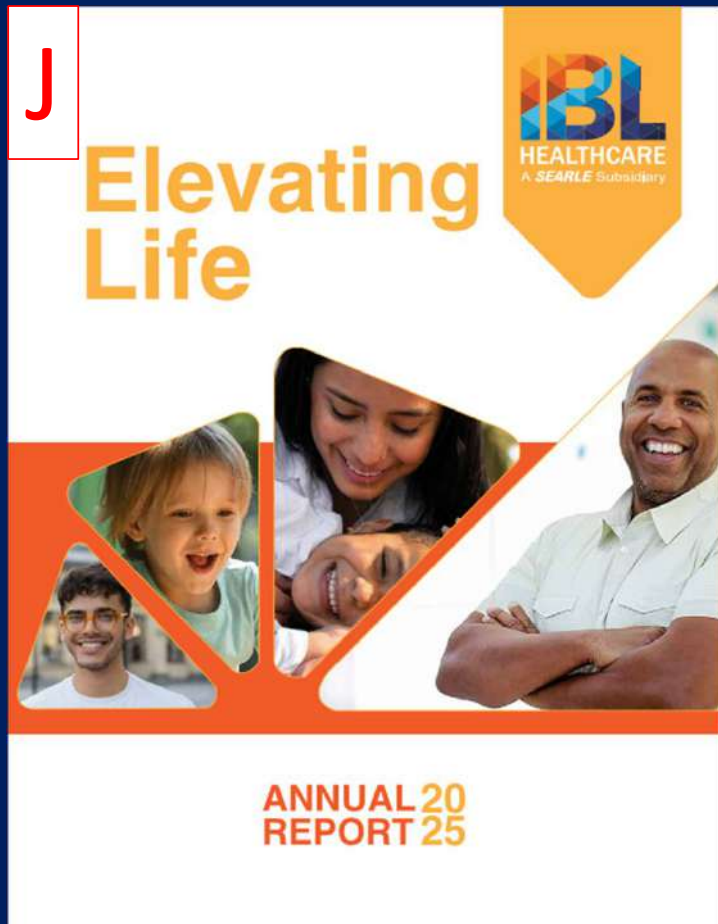


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Presentation

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Assignment Questions

- Assignment Deadline: **19 February 2026**
- Approx. 20 hours researching and writing
- Word count: 1,200 words
- You are expected to use the Harvard referencing style
- Presentation is VERY important
- Choose any ONE of the questions



Assignment Questions

Question 1:

- Using a set of published financial statements from a publicly listed company, perform a critical analysis of how key accounting principles and concepts have been applied in preparing the reports. Focus specifically on the implications of the **Accrual Concept**, the **Prudence Concept**, and the **Going Concern Concept**.
- Your 1,200-word assignment should:
 - Explain how the application of these principles affects the reported figures for profit, assets, and liabilities.
 - Evaluate how the company's chosen accounting policies, particularly regarding depreciation methods or inventory valuation, reflect these principles.
 -
- Key Areas of Focus should be:
- **Accrual Basis vs. Cash Basis:** Students must explain how revenue recognition (matching principle) impacts the reported profit figures, often leading to different conclusions than simply tracking cash inflows and outflows.
- **Prudence:** The analysis should identify areas where management made conservative estimates (e.g., provisions for bad debts, accelerated depreciation) and how this potentially understates assets and overstates expenses to play it safe.
- **Going Concern:** Students must discuss the reliance placed on the assumption that the business will continue to operate, and how auditors signal concerns (or lack thereof) in their reports, which heavily influences external stakeholders like banks.



Assignment Questions

Question 2:

- Identify the main internal and external users of accounting information of a business, with special emphasis on the type of information each group requires. Give detailed examples of why the users would require such information, and what limitations, if any, exist in providing such data.



Assignment Questions

Question 3:

Ratio analysis is an important tool to measure and interpret the success of any business. It allows top management to understand the health of the business, and map strategies for the future.

Outline the financial ratios listed hereunder, providing details on how to calculate the ratios. List also, for each ratio, their meaning and use; and their importance and limitations:

- Acid-Test Ratio
- Asset Turnover Ratio
- Average Inventories Turnover Period
- Average Receivables Settlement Period
- Current Ratio
- Earnings per Share
- Gearing Ratio
- Gross Profit Margin
- Return on Capital Employed
- Return on Equity



What we covered in Lecture 05

- Liquidity Ratios
- Gearing Ratios
- Investment Ratios
- Management Accounts
- Sources of Finance
 - Short Term
 - Long Term



Liquidity Ratios

- Liquidity refers to the availability of cash in the near future after taking account of immediate financial commitments
- Key ratios:

CURRENT RATIO		
CURRENT ASSETS		
CURRENT LIABILITIES		

ACID TEST		
CURRENT ASSETS - INVENTORIES		
CURRENT LIABILITIES		

Gearing Ratios

Non-Current Liabilities	X 100
Share Capital + Reserves + Non-Current Liabilities	

Operating Profit before Interest
Interest Payable



Investment Ratios

Total Dividend Paid

Number of shares in issue

Profit after tax

Number of shares in issue

Market value per share

Earnings per Share



Management Accounts: The Story behind the Numbers

- Impossible to read numerical tabulations with any accuracy
- Concentrate on main numbers (profits – net assets – debt- net cash flow movement)
- Major asset movements
- Major changes in group structure
- Major changes in financing
- Prospects for future growth
- Additional information outside accounting statements
- Compare interest paid to loans
- Changes in management



Sources of Finance

- Short-Term Finance
 - Long-Term Finance
 - Outside Investment at start up phase
 - Outside Investment at ongoing phase
-
- Importance of having adequate finances
 - Based on size, type, development phase, scope and purpose of business entity



Short Term Finance Types

- Overdraft facility
- Short-term Loan
- Trade Credit
- Leasing



Long Term Finance Types

- Long Term Loan
- Bonds
- Equity



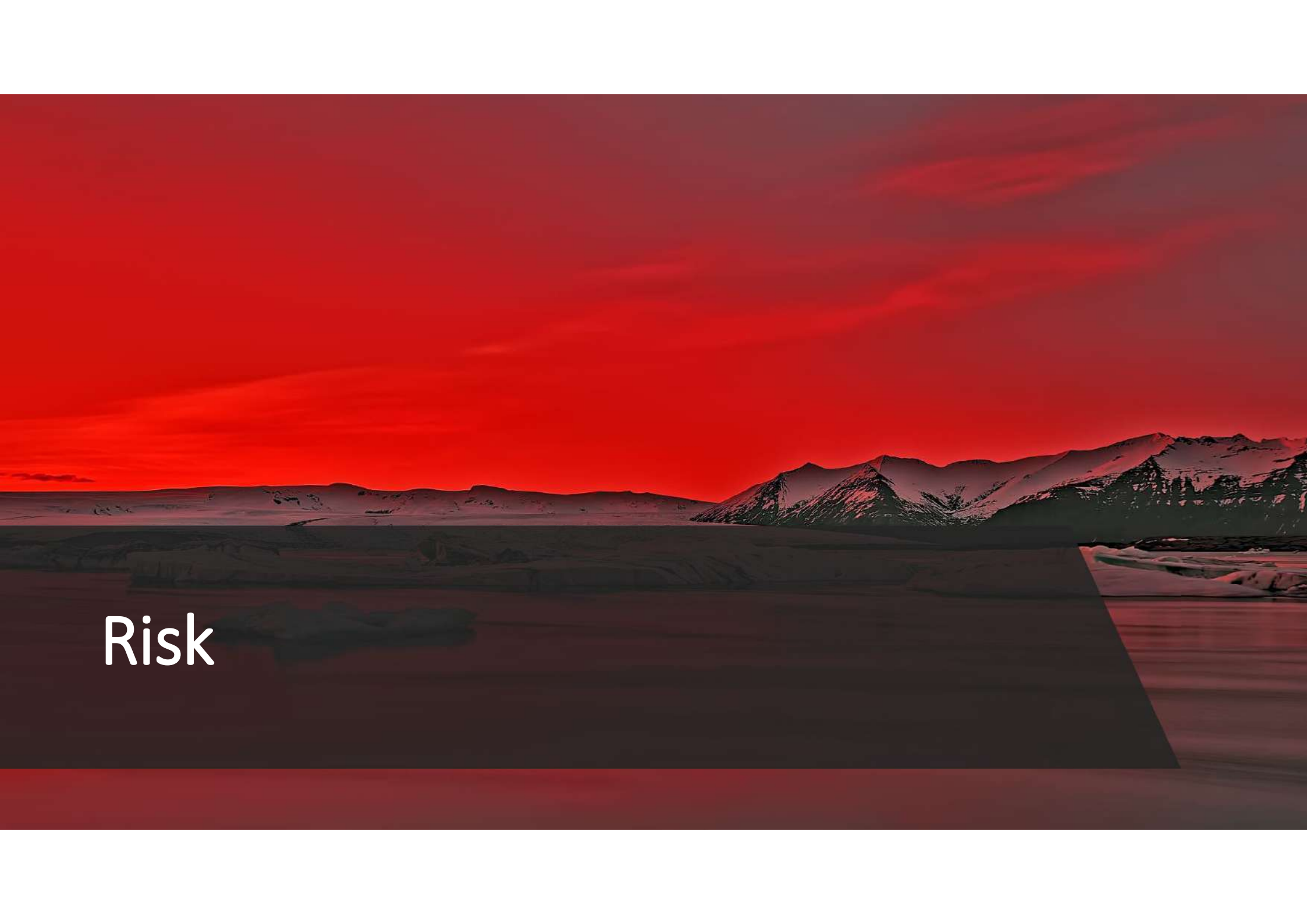
Today's Agenda



Risk



Business Cycle

A dramatic landscape photograph featuring a deep red, cloudy sky. In the foreground, there is a dark, flat expanse of water or a frozen lake. In the background, a range of mountains is visible, with the peaks and upper slopes covered in snow. The overall mood is somber and intense due to the monochromatic red sky.

Risk

Risk

- Risk appetite of Business
- Lowest: Debt vs. Equity
- Lowest: Short-term vs. Long-term
- Flexible terms vs. Fixed term
- Collateral vs. Provisions
- Dividends vs. Interest



Timing of Finance requirements

- At what stage is the business ?
- Small business less risky than large ones.
- Large businesses to be more established
- Stable earnings vs. Forecast profits
- Type of project to be financed
- Private investors get involved if business is large and established – public call



Business Lifecycle

A firm typically goes through **5** stages in its life cycle: start-up, growth, maturity, decline, and closing.

The business life cycle.



- Each stage presents unique problems, opportunities, and funding requirements.
- Business life cycles vary considerably. Some firms go through the early stages fairly rapidly and then settle into maturity for a long time, while others skip to the closing stage in a few years.
- Some estimates predict that roughly 60% of businesses that employ others besides the owners will close within their first 6 years.
- The life cycle approach is a useful way to discuss financing opportunities and sources for businesses.

Start-Up and Growth

6 sources of Capital

1. *Personal funds*
2. *Borrowed funds from family and friends*
3. *Commercial bank loans*
4. *Borrowed funds through business start-up programs*
5. *Angel financing or venture capital*
6. *Enterprise Investment Schemes*



Angel Financing & Venture Capital

- usually businesses that would not qualify for commercial bank loan
- **Angel investors** - wealthy individuals and groups providing initial funding for high-risk ideas. They typically have very short loan investment horizons (less than 10 years) and upside limits of about \$2 million.
- **Venture capitalist firms or funds** - fund high-risk projects, but have longer time horizons and higher funding limits. They generally provide the funding in stages.



Differences between Angel Investors and Venture Capitalists

Angel Investors	Venture Capitalists
Individual or group of individuals	Corporate entities
Invest own money	Invest pooled money from range of investors
Focus on early stages of business	All stages
Investment may be tied to individual or group expertise	Investment may be tied to high-growth opportunities, with focus on technology and innovation

Source: Adapted from LBO Advisers, "Essential Differences between Angel Investors and Venture Capital," www.lbo-advisors.com.

Credit Ratings

A comparison of Moody's and Standard & Poor's rating scales

Standard & Poor's	Moody's	Grades	
AAA	Aaa	Prime, maximum safety	Investment grade bonds
AA+	Aa1	High grade, high quality	
AA	Aa2		
AA-	Aa3		
A+	A1	Upper medium	
A	A2		
A-	A3		
BBB+	Baa1	Lower medium	
BBB	Baa2		
BBB-	Baa3		
BB+	Ba1	Speculative	Non-investment grade, high-yield or 'junk' bonds
BB	Ba2		
BB-	Ba3		
B+	B1	Highly speculative	
B	B2		
B-	B3		
CCC+	Caa1	Substantial risk	
CCC	Caa2	In poor standing	
CCC-	Caa3		
CC	Ca	Extremely speculative	
C	C	May be in default	
D		Default	