



GEST-S-6003

**Module “Topics in financial management for
microfinance institutions”**

Course: Introduction to Financial Management

1st semester EMP 2019-20

Module manager: Prof. Mathias SCHMIT

Planning

Date	Time	Lecturer	Place
24/09/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
02/10/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
17/10/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
21/10/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
24/10/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
05/11/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
12/11/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
18/11/2019	6 pm – 9 pm	Prof. M. Schmit	R42.4.110

Objectives of the course

- Introduce the basic principles in finance
- Present the fundamentals of financial analysis
- Understand how to finance operations
- Understand and compute interest rates
- Get insights on how to value a project and financial assets

Topics covered

1) Introduction to financial statements analysis

- Balance sheet and income statement
 - Financial statement reading
- Definition and interpretation of major ratios
 - The levers of financial performance
 - Return on equity (ROE) and its determinants
 - Ratio analysis
 - A critique of ROE and ratio analysis
 - Distinction between accounting and market values
- Cash flow statement
 - Definition of free cash flows
 - Definition and use of net working capital, working capital requirement and net liquid balance
 - Comparison between cash flow and profit
- Application to a MFI
 - Identification of the characteristics of MFIs financial statements

2) Time value, discounting techniques and investment decisions

- Generalities on interest rate, yield curve and credit
 - Reading interest rates information in the newspaper
 - Description of bond, loans and MFI loans
- Discounting
 - Discounting principles and rules
 - Investment decision

- Usage of interest rate
 - Loan valuation
 - Bond valuation
 - Effective interest rate calculation

3) Review: Analysing a MFI financial statements

Teaching method

Topics are generally presented by an interactive lecture which includes short exercises and case studies enabling participants to reinforce immediately their understanding of the concepts taught. Active participation from the participants is required.

Course material

To read before the first course:

McIsaac, I. (2004), “Understanding Annual Reports and Company Accounts,” 1-18.

Supplementary Text(s):

Cases and additional material will be distributed during the sessions.

Videos to watch before the sessions (strong recommendation)

Please find interesting videos to help you in your learning process:

- **for part 1 of the Introduction to Financial Management Course**

On balance sheet:

<http://www.khanacademy.org/economics-finance-domain/core-finance/housing/home-equity-tutorial/v/introduction-to-balance-sheets>

<http://www.khanacademy.org/economics-finance-domain/core-finance/housing/home-equity-tutorial/v/more-on-balance-sheets-and-equity>

On income statement:

<https://www.khanacademy.org/economics-finance-domain/core-finance/stock-and-bonds/valuation-and-investing/v/introduction-to-the-income-statement>

<https://www.khanacademy.org/economics-finance-domain/core-finance/accounting-and-financial-statement/financial-statements-tutorial/v/balance-sheet-and-income-statement-relationship>

On cash-flow statement:

<https://www.khanacademy.org/economics-finance-domain/core-finance/accounting-and-financial-statement/cash-accrual-accounting/v/cash-accounting>

<https://www.khanacademy.org/economics-finance-domain/core-finance/accounting-and-financial-statement/cash-accrual-accounting/v/accrual-basis-of-accounting>

<https://www.khanacademy.org/economics-finance-domain/core-finance/accounting-and-financial-statement/cash-accrual-accounting/v/comparing-accrual-and-cash-accounting>

<https://www.khanacademy.org/economics-finance-domain/core-finance/accounting-and-financial-statement/financial-statements-tutorial/v/basic-cash-flow-statement>

- **for part 2 of the Introduction to Financial Management Course**

<http://www.youtube.com/watch?v=ks33lMoxst0>

http://www.youtube.com/watch?v=4LSktB7Pk_c

<http://www.youtube.com/watch?v=3SgVUIEcOBu>

Evaluation

Written exam

The module « Topics in financial management for microfinance institutions» is composed of two courses:

A) Introduction to financial management (Prof. M. Schmit)

B) Financial planning and risk management (Prof. M. Schmit) (2nd semester)

Two marks A (40%) and B (60%) must set the final mark C of the module.

- if A and B are greater than or equal to 8/20, then $C = (40\% \cdot A) + (60\% \cdot B)$

- if $A < 8/20$ or $B < 8/20$, then $C = \min(A, B)$.