



GEST-S-6003

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

Course: Introduction to Financial Management

1st semester EMP 2021-22

Module manager: Prof. Mathias SCHMIT

Planning

Date	Time	Lecturer	Place
21/09/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
29/09/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
02/10/2021	9 am – 12 pm	Prof. M. Schmit	R42.4.110
12/10/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
15/10/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
20/10/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
15/11/2021	6 pm – 9 pm	Prof. M. Schmit	R42.4.110
22/11/2021	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

Text documents

- CGAP (2002), "Microcredit interest rates", 12 pages.
- Mclsaac, I. (2004), "Understanding annual reports and company accounts," 1-18.
- Higgins R. (2016), Analysis for financial management, McGraw-Hill, 11th ed., chapter 4.
- Schmit M. (2020), Introduction to financial analysis, Balance sheet, income statement and accounting principles, (document 1)
- Schmit M. (2020), Introduction to financial analysis, Managerial balance sheet interpretation, (document 2)
- Schmit M. (2020), Introduction to financial analysis, Accounting ratios analysis, (document 3)
- Schmit M. (2020), Cash flow statement analysis, (document 4)
- Schmit M. (2016), Time valuation and asset valuation, pages 1 to 28

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-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-statements-tutorial/v/cash-accounting>

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

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

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

- **for part 2 on time value, interest rates and discounting**

<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 $C = \min(A, B)$.