The CCRA advantage: Examine financial data with confidence

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The Certified Credit and Risk Analyst (CCRA) is an academic-based credential that signals mastery in analyzing and interpreting financial statements—skills that are at the core of B2B credit management.

Why it matters: Credit risk constantly changes, but financial statements consistently offer a window into a customer's creditworthiness.

Yes, but: The value of financial statements depends on the ability of the credit manager analyzing them. If you can't read a financial statement, you might easily overlook important information.

Financial statements are reports showing the financial activities and performance of a business. The four major types of financials include:

1. **Income statements** show net income or net loss, tracking all money coming in and out of a business. Money paid out is referred to as expenses, while money coming in is revenue.
2. **Balance sheets** contain assets, liabilities and shareholders' equity. The assets in balance sheets include cash, inventory or anything else owned by the company. Liabilities typically include accounts payable.
3. **Statements of cash flow** show you where the cash went. Larger companies can have up to three categories (operation, investment and financing activities), whereas smaller companies use two main categories: cash inflows and cash outflows.
4. **Statements of owner equity** show any changes in the owner's equity between accounting periods.

Evaluating the health of a business through payment patterns and other proofs of funds is a great way to mitigate risk. Kevin Stinner, CCE, CCRA, credit manager at J.R. Simplot Company (Loveland, CO), requests financial statements only after certain credit limit requests. "Financials are advantageous in the sense that you get a chance to take a deeper dive into the customer's financial stability, not only the equity but also the short-term liquidity of the customer," he explained.

We all know the saying "cash is king" rings as a true statement in the credit world. It's critically important to look closely at where and how a business generates its cash, looking no further than the statement of cash flows. This statement provides information on a business's cash during a specified period, helping credit professionals analyze its financial health. Understanding cash flow is critical for assessing risk and the financial outlook of a company.

"Cash is the lifeblood of the firm, so it is not surprising that the statement of cash flows is one of the primary financial statements we use," said George Schnupp, CCE, instructor for Financial Statement Analysis 2 (FSA 2). "It provides investment bankers, commercial lenders, equity analysts and credit professionals with a thorough explanation of the changes that occurred in a firm's cash balances. And understanding the flow of cash is critical to having a handle on the risk of the firm."

Cash flow statements are just one important piece of the analytical tool puzzle. “They show the adjustments made to net income in order to calculate cash flow from operations,” Schnupp explained. “The statements should be analyzed to determine why cash flow from operations is negative or positive. Also, the analyst should consider cash flows over a period, looking for patterns of performance and exploring underlying causes of strength and weakness.”

When analyzing cash flow statements, it's crucial for credit professionals to break down the different components to gain a deeper understanding of a company's financial health.

“Too often users of cash flow statements will look at the overall cash flow rather than drilling down to see the cash flow from the components of operating, investing and financing,” said Brian Lazarus, CPA, CGMA, MBA, instructor for NACM’s Graduate School of Credit and Financial Management. “Financially healthier companies will always have a positive cash flow from operations. If not, the needed funds would have to be raised from selling some of its valuable assets or borrowing funds in order to cover its regular operating expenses. This should be a huge red flag for creditors.”

What they’re saying: Jay Coyle, Jr., CBA, CCRA, credit analyst at Carlisle Construction Materials, LLC (Carlisle, PA), began his career in the printing industry but made a significant shift eight years ago when he joined his current company. “When an opportunity opened up in the credit department, I was immediately interested,” Jay explained. “My sister is a credit analyst, and hearing her talk about how much she enjoyed her career really sparked my interest.”

Coyle quickly immersed himself in NACM’s in-person courses, finding the experience both educational and engaging. “It was fascinating to meet other members from different industries and learn from their perspectives,” he said. “Earning professional designations has been especially rewarding because it is tangible proof of the knowledge I’ve gained throughout my career. The in-person courses are informative and offer a fast track to achieving your designations.”

Invest in your future today: You don’t need any minimum work experience to follow the NACM Career Roadmap to earn the CCRA! To qualify to earn the CCRA designation, applicants will have successfully completed Basic Financial Accounting, Financial Statement Analysis 1 and Financial Statement Analysis 2 courses. Because two of the courses are part of the CBA designation, it makes sense for CBAs to advance to the CCRA as a next step.

After earning this designation, you’ll be able to separate fact from fiction when reviewing financial data, allowing you to avoid credit nightmares.

Get started on your CCRA designation and register now for FSA2. This course is from Nov. 4 - Nov. 7 in-person at NACM headquarters in Columbia, Maryland. FSA2 will be offered again in-person at Credit Congress in Cleveland, OH in May 2025.

The bottom line: A credit manager who can confidently interpret financial data not only adds value to their organization but also enhances their professional credibility.


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