

Southeastern University

Financial Statement Analysis

ACTG 4163--Fall 2009

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Office hours by appointment

COURSE POLICIES AND EXPECTATIONS

TEXT: Gibson, Charles. Financial Reporting and Analysis 11th ed.

Financial Calculator: HP 10BII (or similar model) or HP12c or TI BAII Plus. One of the two, or a similar model, is required. The HP12c is highly recommended as your choice as it is commonly used in the financial workplace.

CATALOG DESCRIPTION: This course provides a background for understanding methods used to analyze financial statements for lending, investing, and management purposes. In addition to text material, the course will utilize the financial statements of a publicly traded company for analytical skill development purposes.

PREREQUISITE: ACTG 2233 Intermediate Accounting

Credit Hours: (3)

OBJECTIVES OF COURSE

A. Suggested Prerequisites

1. Business Math
2. Introduction to Accounting (Required)
3. Micro Economics
4. Business Finance
5. Spreadsheet Applications

B. Entrance Competencies

It is expected that through prior undergraduate courses, students already will be familiar with the major concepts and theories of:

- 1) the accounting process and its impact on internal and external financial statements,
- 2) microeconomic principles of industry structure and their impact on decisions of a corporation,
- 3) the mathematical constructs that impact financial statements,
- 4) the importance of cash flow in the decision-making process,
- 5) the ability to construct spreadsheets using Excel or similar software

C. Exit Competencies

By the end of this course, the student should have a working knowledge and an increased capacity to:

- 1) understand common techniques used in the statement analysis process
- 2) conduct data gathering and analysis for managerial, investment, and lending analyses
- 3) analyze a complete set of financial statements, highlight strong and weak performance, make a lending or investment decision, and present your analysis in both written and verbal form.

INSTRUCTIONAL PROCEDURE

- A. Lecture/Discussion—Individual and group
- B. End of Chapter Assignments
- C. Analysis preparation (several small analyses)
- D. Final Project—Written Analysis and In-Class Presentation

Several written analyses, concise and complete, will be prepared on both an individual and group basis. The format used to communicate your analysis will evolve as the course progresses.

EVALUATION

1. Midterm Examination	30%	
2. Financial Analyses	30%	Average of all prepared
3. Final Project	40%	
4. Class Contribution	0%	This is expected, and, to some degree, will be included in the Financial Analyses grade
5. Attendance	+/-	No specific grade, but can impact a grade consistent with the SEU attendance policy.

Grading Scale:

90% - 100%	A
80% - 89%	B
70% - 79%	C
60% - 69%	D
Below 59%	F

RESPONSIBILITIES OF STUDENTS

Information in each chapter and each assignment will provide a framework for the next topic of discussion. The pace of this course is intense, and the workload is significant. Instructional methods will include lecture, advance preparation

assignments, and student interaction.

Each student is expected to commit to the following guidelines in this class.

These are:

1. **Preparation**—the class discussion will mean little if text material is not read and the assignments are not prepared in advance.
2. **Presence**—unique thoughts and insights cannot be contributed to group discussions, or to student learning, if you are not present.
3. **Promptness**—late arrivals disrupt the class and adversely impact the decorum of the process. **Note: Three times late equals one absence for evaluation purposes.**
4. **Participation**—as part owner of the discussion, it is each student's responsibility to share in the advancement of the group's collective skills and knowledge.
5. **Attendance**—Adhere to college policy.
6. **Academic Honesty**—Any instance of academic dishonesty, including plagiarism, will be handled in accordance with the Student Handbook.
7. **Specific Policies**—If you cannot be present for a class, you are responsible for contacting a fellow student by using email in order to find out what was covered in class the day you were absent and what will be covered in the next class.

Material will be covered in class that is not presented in the textbook. This material may include information included in lectures, additional readings, and in-class exercises. Exams will include this material as well as material assigned in the textbook.

Material not turned in when due will NOT be accepted and will earn a grade of zero. If you miss a class, your material may be submitted via email, but to earn a grade such material must be time-dated prior to the start of class.

Attendance is important. This class meets two times a week. Any absences in excess of what is allowed by the SEU policy set forth above will result in an appropriate grade reduction.

Failure to take a exam on the assigned date will result in a ZERO for that exam unless the absence is **approved in advance** by me or is an emergency that is excused by the Dean of the College of Business and Legal Studies. *If you travel with an athletic team or are a member of another SEU approved club or group, you are responsible for submitting assigned material prior to your departure or via email while traveling.*

All other academic policies are described in the Student Handbook.

COURSE CALENDAR AND/OR OUTLINE

(Tentative material coverage and testing dates. Schedule may be modified as semester progresses. Note that the weeks set forth below are class weeks and are different from calendar weeks due to holidays and other time away from the university on the traditional calendar.)

WEEK 1

A. Discussion topics include:

1. Review of accounting, finance, and economic principles impacting financial statement analysis.
2. "Cs" of Credit mode
3. Capacity analysis model

B. Assignment

Reading: Chapter 1.

WEEK 2

A. Discussion topics include:

1. Financial statement inter-relatedness
2. Annual report review and discussion
3. Published analysis review and presentation

B. Assignments

Reading: Chapter 2 and Tootsie Roll's Annual Report at www.tootsie.com
Print the most recent AR for use in class

Research: Bring a published statement analysis to class

Case: 2-2, The Dangerous Morality of Managing Earnings

WEEK 3

A. Discussion topics include:

1. Balance sheet analysis considerations
2. Tootsie Roll's Balance Sheet and related footnotes

B. Assignments

Reading: Chapter 3

Problems: 3-3, 3-6

Case: 3-5

Research: Company to be analyzed submitted for approval

WEEK 4

A. Discussion topics include:

1. Income statement analysis considerations
2. Tootsie Roll's Income Statement and related footnotes

B. Assignments

Reading: Chapter 4
Problems: 4-1, 4-9, 4-11, 4-17
Case: 4-2

C. Midterm Examination

WEEK 5

A. Discussion topics include:

1. Ratio analysis
2. Common size analysis
3. Trend analysis
4. Library resources
5. Tootsie Roll application

B. Assignments

Reading: Chapter 5
Problems: 5-2, 5-7, 5-8
Research: Short presentation of highlights of material collected for comprehensive analysis

WEEK 6

A. Discussion topics include:

1. Current assets, liabilities, and working capital
2. Ratios
3. Liquidity
4. Tootsie Roll application

B. Assignments

Reading: Chapter 6
Problems: 6-2, 6-8, 6-11
Case: 6-3
Research: Short presentation of highlights of material collected for comprehensive analysis

WEEK 7

A. Discussion topics include:

1. Long-term debt analyses
2. Tootsie Roll application

B. Assignments

Reading: Chapter 7
Problems: 7-1, 7-4, 7-7
Research: Short presentation of highlights of material collected for comprehensive analysis

WEEK 8

- A. Discussion topics include:
1. Profitability analysis
 2. DuPont Approach to ROE
 3. Tootsie Roll application

B. Assignments

Reading: Chapter 8

Problems: 8-1, 8-2, 8-7

Case: 8-7

Research: Short presentation of highlights of material collected for comprehensive analysis

WEEK 9

- A. Discussion topics include:
1. Analysis from investor perspective
 2. Tootsie Roll application

B. Assignments

Reading: Chapter 9

Problems: 9-1, 9-3

Case: 9-6

Research: Short presentation of highlights of material collected for comprehensive analysis

WEEK 10

- A. Discussion topics include:
1. Statement of cash flows
 2. Tootsie Roll application

B. Assignments

Reading: Chapter 10

Problems: 10-1, 10-6

WEEK 11

- A. Discussion topics include:
1. Expanded analysis
 2. Tootsie Roll application

B. Assignments

Reading: Chapter 11

Problems: 11-12, 11-14

WEEKS 12 - 15

- A. Discussion topics include:
- Selected financial statements will be assigned for group analysis and presentation. Generally, one statement per week will be analyzed, presented and discussed.

B. Assignments

Reading: Chapters 12 and 13 as appropriate. These should be referenced based on the nature of the statement being examined.

C. Comprehensive Analysis: Selection of a public company for a complete and detailed analysis. This paper is due the 13th week of class, specifically at the end of class the **Friday before Thanksgiving break (NOVEMBER 20)**. This company should be selected prior to the end of the fifth week of class.

D. Presentations: Individual presentations of statements selected for comprehensive analysis.

E. Final Exam:

The final exam will be a comprehensive analysis of a company of your choice. This analysis must be presented in a professional manner. Your grade will be determined by a combination of your written report and a short verbal presentation of your project (about 10 minutes).

The presentation will take place during the week before and the time scheduled for the final exam. **You must present your analysis in order to pass this course.**

IMPORTANT SEU POLICIES

University Mission Statement:

Southeastern, a dynamic, Christ-centered university, fosters student success by integrating personal faith and higher learning. Within our loving Pentecostal community, we challenge students to a lifetime of good work and of preparing professionally so they can creatively serve their generation in the Spirit of Christ.

Students with Disabilities:

Southeastern University is committed to the provision of reasonable accommodations for students with learning and or physical disabilities, as defined in Section 504 of the Rehabilitation Act 1973. If you think you may qualify for these accommodations, notify your instructor. You will need to contact the Director of Academic Services at 863-667-5157 and submit official documentation to receive proper academic accommodations.

Testing Accommodations for Students with Disabilities:

Tests are administered for each department at the request of each professor to provide special accommodations for those affected by learning disabilities, vision and physical impairments, attention deficit disorder, and testing anxiety/phobias. These accommodations are provided on a daily basis for the student and professors.

Class Attendance Policy

Class Attendance

Students are both expected and encouraged to attend classes regularly. The lack of attendance may affect a student's grade.

For traditional fall and spring semesters, a student may miss a class without penalty equal to the number of times a class meets per week as follows:

- If the class meets once a week a student may miss one class.
- If the class meets two times a week a student may miss two classes.
- If the class meets three times a week a student may miss three classes.

If a student's absences exceed the number of times a class meets per week, a professor may:

- Subject the student to a penalty of not more than one letter grade based on attendance alone.
- Recommend to the Vice President for Academic Affairs that a student with excessive absences be withdrawn from the course.

For a summer term, a student may miss two days without penalty. A professor may take the same actions described above if a student misses more than two days in a summer term.

Program directors must provide lists of students participating in authorized university activities or field trips to the Office of the Vice President for Academic Affairs. Once approved, program directors must provide copies of the lists to the participating students for submission to the students' instructors. Faculty must take this information into account as they log attendance and not consider it an absence.

Working within the framework of the above guidelines, faculty will clearly articulate their attendance policy in the course syllabus.

Prolonged and/or unusual absences not covered by the policy may be appealed to the Vice President of Academic Affairs by either the professor or the student. Appeals must be submitted in writing.

Final Exam

Every professor is obligated to administer a final exam or hold an appropriate class during the regularly scheduled exam period. Every student is obligated to take the final exam or attend that appropriate class during the regularly scheduled exam period.

Please plan accordingly and carefully for final exams. *You must not plan vacations, ministry appointments, weddings, airline flights, or any other similar activity or engagement that will conflict with the final exam schedule. Also, do not schedule any of these activities so close to your final exam that the commute to the activity conflicts with the final exam schedule.*

FINAL EXAM SCHEDULE Fall 2009-10

Final exams will be administered **December 15-18** in the room where the class normally meets. Students with *more* than 3 exams scheduled on one day can petition the instructor and department chair to take one of the exams another day.

Tuesday/Thursday Classes
Classes that meet either one or both days

CLASS TIME	EXAM DATE	EXAM TIME
7:35-8:50 a.m.	Tuesday – Dec 15	8:00-9:50 a.m.
8:00-8:50 a.m.	Thursday – Dec 17	8:00-9:50 a.m.
10:35-11:50 a.m.	Tuesday – Dec 15	10:00-11:50 a.m.
12:00-1:15 p.m.	Thursday – Dec 17	10:00-11:50 a.m.
1:25-2:40 p.m.	Tuesday – Dec 15	12:00 noon-1:50 p.m.
2:50-4:05 p.m.	Thursday – Dec 17	12:00 noon-1:50 p.m.
4:15-5:30 p.m.	Tuesday – Dec 15	2:00-3:50 p.m.
<i>Classes that meet 5:00 p.m. or later one day per week will test on the day and time the class normally meets. Saturday exams should be arranged at the convenience of the instructor and students.</i>		

Monday/Wednesday/Friday Classes
Classes that meet one or more of these days

CLASS TIME	EXAM DATE	EXAM TIME
7:00-7:50 a.m.	Wednesday – Dec 16	8:00-9:50 a.m.
8:00-8:50 a.m.	Friday – Dec 18	8:00-9:50 a.m.
9:00-9:50 a.m.	Friday – Dec 18	4:00-5:50 p.m.
10:00-10:50 a.m.	Friday – Dec 18	10:00-11:50 a.m.
11:00-11:50 a.m.	Wednesday – Dec 16	10:00-11:50 a.m.
12:00-12:50 p.m.	Friday – Dec 18	12:00 noon-1:50 p.m.
1:00-1:50 p.m.	Wednesday – Dec 16	12:00-1:50 p.m.
2:00-2:50 p.m.	Wednesday – Dec 16	2:00-3:50 p.m.
3:00-3:50 p.m.	Wednesday – Dec 16	4:00-5:50 p.m.
4:00-4:50 p.m.	Friday – Dec 18	2:00-3:50 p.m.
<i>Classes that meet 5:00 p.m. or later one day per week will test on the day and time the class normally meets. Monday night classes will take exams the final Monday. Saturday exams should be arranged at the convenience of the instructor and students.</i>		

Please plan accordingly for final exams. You must not plan vacations, ministry appointments, weddings, purchase airline tickets, or any other similar activity or engagement that will conflict with the final exam schedule.

Communication Statement

Southeastern University requires all faculty, staff and students to use their Southeastern email address for official university communication. Students are required to

check Southeastern email daily as they will be held accountable for all communications sent through this medium.

Blackboard will be used as a secondary communicative medium.

Southeastern University
Statements for Syllabi

Consent to Comply

I _____ have read, understand, and
Student's Name (print)

will keep in my possession the Course Syllabus for _____(course code),
Southeastern University, Fall 2008. I understand that in compliance with the syllabus
and the Student Handbook, for both instructional and evaluation purposes, I will be
responsible for electronically submitting my written work to Turnitin®. With the
affixing of my signature below, I agree to comply to the terms therein.

My Signature

Date