

# **Southeastern University**

## **Financial Statement Analysis**

**ACTG 4163--Fall 2016  
William Hahn, CPA, DBA**

**Office Hours: As posted in the College of Business  
and Legal Studies building or by appointment**

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### **COURSE POLICIES AND EXPECTATIONS**

**TEXT:** Gibson, Charles. Financial Reporting and Analysis 13<sup>th</sup> ed.

**Financial Calculator:** HP 10BII (or similar model) or HP12c. 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 of understanding 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 3123 Intermediate Accounting II Credit Hours: (3)  
No exceptions. You **MUST** have completed the prerequisite to  
take this course.

### **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. Intended Learning Outcomes

Students who successfully complete this course will:

1. Understand common techniques used in the statement analysis process.
2. Conduct data gathering and analysis for managerial, investment, and lending decision purposes.
3. Analyze a financial report, highlight strong and weak performance, and explain why significant changes occurred.
4. Prepare a professional quality written report of an analysis of a company.
5. Prepare and deliver a professional quality oral report of an analysis of a company.

### **INSTRUCTIONAL PROCEDURE**

A. Lecture/Discussion—Individual and group

B. End of Chapter Assignments

C. Analysis preparation and presentation (several small analyses as we progress through the semester)

D. Final Project—Comprehensive Written Analysis and Presentation

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

### **EVALUATION**

- |                                   |     |   |
|-----------------------------------|-----|---|
| 1. Midterm Examination            | 20% |   |
| 2. Financial Analysis Assignments | 30% | Average of all prepared   |
| 3. Final Project                  | 50% |   |
| 4. Class Contribution             | 0%  | This is expected; and, to some degree, will be included in the Financial Analyses grade. Points can be deducted if contribution is limited. |
| 5. Attendance                     | +/- | No specific grade, but can impact a grade consistent with the SEU attendance policy.  |

### College Grading Scale:

A	94-100%
A-	90-93%
B+	87-89%
B	84-86%
B-	80-83%
C+	77-79%
C	74-76%
C-	70-73%
D+	67-69%
D	64-66%
D-	60-63%
F	0-59%

### 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](http://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, 4-15

Case: 4-1

#### 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: 5-1, 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: 6-1, 6-2, 6-8, 6-11, 6-17  
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, 8-3, 8-5  
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, 9-13  
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: 10-3, 10-6 (part a only)

### **WEEK 11**

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

- B. Assignments  
Reading: Chapter 11  
Problems: 11-14

### **WEEKS 12 - 15**

- A. Current topics in the area of financial reporting and analysis will be explored as time permits. Examples are:  
a. Form 8-K, Current Report  
b. Form 14A, Definitive Proxy Statement  
c. How to write a comprehensive analysis  
d. The essence of a quality PP presentation

- 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 13<sup>th</sup> week of class, specifically at the end of class the Thursday before Thanksgiving break. 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 verbal presentation of your project (about 15 minutes).

The presentation will take place during the week before and during the time scheduled for the final exam. **You must present your analysis in order to pass this course. Failure to present the paper will result in a grade of zero for this entire project.**

## **IMPORTANT SEU POLICIES**

### **University Mission Statement:**

*Equipping students to discover and develop their divine design to serve Christ and the world*

*through Spirit-empowered life, learning, and leadership.*

Please go to the SEU web page link listed below and read our Vision Statement and our position on Human Sexuality. <http://www.seu.edu/about/what-we-believe/>

### **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 Registrar 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 Provost. 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 Office of the Registrar by either the professor or the student. Appeals must be submitted in writing.

### **Academic Honesty Policy (or Plagiarism)**

***Academic integrity, plagiarism, and cheating are addressed in Academic Handbook and Catalog (not Student Handbook).***

For Undergraduate classes: *Instances of academic dishonesty and plagiarism will be dealt with in accordance with the current version of the Academic Handbook and Southeastern Catalog.*

Plagiarism is considered a serious academic offense at Southeastern. It undermines the educational process and, when done intentionally, violates the integrity of the community.

*Plagiarism occurs when a writer uses someone else's language, ideas, or other original material without acknowledging its source.\**



Plagiarism includes unattributed use of any source, in any medium, published or unpublished.

Some examples of plagiarism include:

- Quoting or paraphrasing material without attributing it to its source
- Copying segments from the work of others without giving proper credit
- Submitting as original work written entirely by someone else

Widely known facts do not require citation and do not count as plagiarism so long as they are communicated in the writer's own words. Ideas and observations original to the writer also do not require citation.

Work already submitted for a grade in another course may not be resubmitted unless the professor specifically states otherwise.

### **Avoiding Plagiarism**

Instructors at Southeastern will work diligently to help students understand what plagiarism is and how to avoid it. However, it is ultimately the responsibility of students to make sure that their work does not contain plagiarism. Students can avoid plagiarism by properly citing and quoting/paraphrasing all of the material they use from sources.

Common forms of citation include parenthetical citations, footnotes/endnotes, and attributive statements such as "According to Smith and Rodriguez ...". *Quotations* include material (whether entire sentence(s), key phrase(s), or specific term(s)) that matches word for word with a source. All quotations must be cited *and* put in quotation marks. *Paraphrases* and *summaries* include material (usually information or ideas) taken from a source and put into a writer's own words. All paraphrased and summarized material must be cited *and* completely rephrased from how it appears in the original source.

The bottom line in avoiding plagiarism is that students must clearly indicate what material in their writing is original to them and what material they have taken from sources.

**Hahn's Note: Cheating on an exam is a form of plagiarism. You are obtaining someone else's work and not crediting that source.**

### **Course Evaluations**

In order to help us to assess the effectiveness of our courses and instructors, all registered students must complete a course evaluation at the end of the semester. You must complete a course evaluation form for this course before your grade can be posted.

### **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.

When communicating using email, your message **MUST** be structured in business communication format. Use proper spelling, capitalization, punctuation, and paragraphing when presenting your memo to me. If you do not show this type of care when you communicate with me, your message will not be recognized. In other words, **I WILL NOT READ OR RESPOND TO YOUR EMAIL.**

## **Additional Assistance**

### **Tutoring (Academic Center for Enrichment (ACE), Modular #5)**

The ACE center provides academic support (through individual tutoring, group study sessions, and academic improvement workshops) for all students, including those who struggle with learning strategies and/or content knowledge.

### **Retention (Addison Building, Office #A205)**

The retention office exists to empower and equip students to overcome academic, financial, and/or social challenges that may put them at risk of withdrawing.

## **Students with Disabilities**

### Disability Statement

Southeastern University is committed to the provision of reasonable accommodations for all students with learning and/or physical disabilities, as defined in Section 504 of the Rehabilitation Act of 1973 and with the American with Disabilities Act (ADA) of 1990. This legislation guarantees educational rights for the physically and learning disabled.

Students with medical diagnoses which qualify them for accommodations must contact ADA Services at 863-667-5283 or email [ADAservices@seu.edu](mailto:ADAservices@seu.edu). Once medical documentation is provided and a confidential consultation is completed, the student will then be responsible to provide the Director of Academic & Auxiliary Services with a list of his or her current online professors and their emails.

**Contact with the Office of Academic & Auxiliary Services is mandatory for each new semester.**

For more information, visit the SEU [Students with Disabilities](#) page on our website.

## **Final Exam Policy Statement**

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 exams will be administered 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/college dean to take one of the exams another day.

*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.*

The Fall exam schedule will be distributed as a separate handout.

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**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 ACTG 4163,  
Southeastern University, Fall 2015. 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