

**Texas A & M University – Commerce**  
**College of Business and Entrepreneurship**  
**Department of Accounting**  
**Syllabus**  
**Financial Statement Analysis for Global Entrepreneurs**  
**311-01E**  
**Call # 80039**  
**Fall 2012**

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Office hours: Wednesdays 10am – 12pm, Tuesdays & Thursdays 1-2pm and by appointment  
Course Meeting Day/Time/Room: Tuesdays and Thursdays 11:00 am – 12:15pm in BA 106

**Course Description:**

This course is designed to provide an overview of financial statement analysis with a focus on global entrepreneurship. It presents a framework for analyzing business opportunities and risks through the use of financial statement analysis, ratio analysis, trend analysis and valuation methods. Prerequisite Acc 222 and a minimum of 55 semester hours credit.

**Required for:** BBA, MBA

**Course Materials:**

**Required Text:**

Wahlen, James M., Baginski, Stephen P., Bradshaw, Mark T., Needles, Belverd E., Powers, Marian. (2012) *Financial Reporting, Financial Statement Analysis, and Valuation*. Mason, OH: South-Western Cengage Learning (ISBN-13: 978-1-285-12915-0, ISBN-10: 1-285-12915-6)

Financial Calculator: Any type is acceptable. Cell phones and other similar devices are not to be used OR be turned on in class.

**Course Embedded Objectives:**

Your achievement level for each objective will be measured by your success in completing the homework, quizzes and examinations. The successful student, upon

completion of this course, will be expected to have achieved the following as a result of this course:

- Understand financial statements, both from a historical viewpoint and the relationship between the Income Statement, the Balance Sheet and the Statement of Cash Flows.
- Be able to analyze financial statements and identify the strengths and weaknesses of firms using the techniques such as ratio analysis, common size analysis and cash flows.
- Understand and interpret the differences between US GAAP and International Financial Reporting Standards (IFRS) financial statements.
- Exposure to global entrepreneurship financial environment.

### **Student Responsibilities:**

1. Read assigned material on schedule
2. Complete all homework assignments on time
3. Prepare for class, examinations and quizzes
4. Participate in all discussions

### **Course Evaluation:**

Grades will be based upon the following items:

Homework/Participation	10%
First Exam	30%
Second Exam	30%
Group Project	30%

Grading scale: 90 - 100% =A, 80 - 89% =B, 70 - 79% =C, 60 - 69% =D and <60% =F. Your grade will be based on the activities above and weighted accordingly.

### **Assignments:**

Reading assignments will be one – two chapters per week. We will be incorporating the IFRS section at the back of the book into our weekly discussions of the chapters in order to gain an understanding of how accounting rules differ between US GAAP and IFRS. Homework will be assigned after every unit so that you may reinforce the concepts learned so please attempt the problems. I will provide solutions to the homework once they have been attempted. If you have difficulty with a problem, make an appointment with the instructor to receive help. Completing the problems will be beneficial to helping you prepare for examinations.

### **Examinations:**

Two exams will be given during the semester. The exams will cover specific chapters as we cover the material during the semester. The exams will require working out problems like those assigned as homework as well as multiple questions related to concepts and terminology. There are no make-ups for the first three exams.

### **Group Project:**

You will be required to complete a group project and present a written report. The project will be completed throughout the semester as we cover the material. All group members are expected to participate equally in the project work and will be required to turn in team evaluations. Please see outline of paper in the syllabus section of the course.

Based on your analysis of the firm's financial statements and any relevant supplementary information you can obtain about the firm and its operating environment, identify areas in which the company is performing well (strengths) and any problem areas (weaknesses). Include in your analysis an assessment of how the firm's strengths and weaknesses affect its credit worthiness and investment potential. Estimate the intrinsic value of the company's stock and issue an investment recommendation.

To complete this project you will work in groups of 3-5 students depending upon enrollment. All students are equally responsible for the work that is turned in. Each group may select the company they wish to analyze, so long as that company has not already been selected by another group and approved by the instructor. Be sure to select a publicly traded U.S. company with at least three identifiable comparable firms.

This project will require you to make use of numerous outside resources, including company web pages, annual reports, analyst reports, etc. Be sure to appropriately cite relevant resources.

### **Data**

The time period for the financial statement analysis should include three years plus interim statements for the most recent year, if available. In addition to the financial statements and other material in the annual and 10-K reports, you should review relevant materials from outside sources such as newspapers, periodicals, and investment resources.

### **Outline**

The following outline is provided for guidance, but the analysis should be adjusted, as appropriate, to conform to the individual characteristics of the firm.

Suggested Outline for the Financial Statement Analysis

- I. Introduction
  - A. Objective of paper
  - B. Summary of findings
  
- II. Firm, Industry, and Environment
  - A. Description of firm and its management
  - B. Discussion of competitive environment
  - C. Economic climate and outlook
  - D. Other factors, e.g. governmental regulations, labor relations, litigation
  
- III. Evaluation of Financial Statements
  - A. Overview
  - B. Short-term liquidity
  - C. Operating efficiency
  - D. Capital structure and long-term solvency
  - E. Profitability
  - F. Market measures
  - G. Quality of financial reporting
  
- IV. Outlook, Summary, and Conclusions
  - A. Investment potential
  - B. Credit assessment
  - D. Summary and conclusions
  
- V. Appendix
  
- VI. Footnotes
  
- VII. Bibliography/References

### **Written Report**

The written report should be between ten – fifteen pages in length however it can be longer, if necessary. An unlimited number of attachments are allowed and will not be counted in the fifteen pages however, you should include only those attachments that are relevant for the analysis and discussed in the text. The document should use a font size of 12 and one-inch margins. The summary page should give the reader a basic understanding of the firm, its past performance, its expected future performance, and the justification for your recommendation. This page should be able to stand alone as a summary of your analysis.

### **Plagiarism**

Plagiarism represents disregard for academic standards and is strictly against University policy. Plagiarized work will result in an “F” for the course and further administrative sanctions permitted under University policy. Guidelines for properly quoting someone else are writing and the proper citing of sources can be found in the APA publication Manual.

### **University Policies and Procedures:**

#### ***Students with Disabilities:***

The Americans with Disabilities act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

#### **Office of Student Disability Resources and Services**

**Texas A&M University – Commerce**

**Gee Library**

**Room 132**

**Phone (903) 886-5150 or (903) 886-5835**

**Fax (903) 468-8148**

[StudentDisabilityServices@tamuc.edu](mailto:StudentDisabilityServices@tamuc.edu)

***Ethics:*** Integrity is the hallmark of the accounting profession and will be stressed throughout the course. Any type of student breach of ethics, including but not limited to: illegal activity, dishonest conduct, cheating, plagiarism, or collusion, will result in failure of assignment or exam (F) and/or further academic sanction (i.e. failure of course (F), dismissal from class and/or referral to Dean of the College of Business and Technology).

*“All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment.”* (See Student’s Guide Handbook, Policies and Procedures, Conduct).

***Other:*** University policy will be followed in regards to withdrawals during the semester. It is the student’s responsibility to conform with the university rules relating to dropping or withdrawing from the course.

### **Email Policy**

This is a web-enhanced course utilizing eCollege. You may e-mail me as well as any student in the class by utilizing the e-mail feature in eCollege. Please write the

number of the course and your name on all correspondence and homework you submit. I will be communicating with you using your myLeo account that is provided by the university. Please check your e-mail frequently. The professor is NOT responsible for any technical difficulties experienced during the course.

The following schedule lists the specific assignments for the course. This syllabus is subject to change as needed to meet the objectives or administration of the course at the discretion of the Professor. It is not anticipated that there will be any substantive changes.

### **Class Schedule and Assignments Financial Statement Analysis ACC 311 – Fall 2012**

**The assignment schedule should be followed diligently. You will be called on in class to discuss the homework assignments. The homework will be assigned each week.**

#### **Unit 1 (August 28<sup>th</sup> – September 4<sup>th</sup>)**

Read Chapter 1 Overview of Financial Reporting, Financial Statement Analysis, and Valuation as well as IFRS Section I – Background of IFRS at the end of the book (p1 - 15)

Group Project: Begin researching the industry and company your group will analyze.

Aug 27<sup>th</sup> – Overview of class

Aug 29<sup>th</sup> Lecture on Chapter 1 & IFRS section I

September 2 – Homework discussion and review

#### **Unit 2 (September 6<sup>th</sup> – 13<sup>th</sup>)**

Read Chapter 2 Asset and Liability Valuation and Income Recognition and Section II and III in IFRS (pg. 16- pg.44)

Group project: Download company financial statements for your company and three other companies, which will serve as a measure of comparison. Outline Part II is due by September 18<sup>th</sup>.

Sept 6<sup>th</sup> – Class lecture

Sept 11 – class lecture/ homework discussion

Sept 13 – Group project discussion, Part II outline discussion & assistance

#### **Unit 3 (September 18<sup>th</sup> -27<sup>th</sup>)**

Read Chapter 3 on Income and Cash Flow Statements

Group Project: Analyze cash flow statements and submit by October 2<sup>nd</sup>

Sept 18 – Class lecture

Sept 20 – Class lecture

Sept 25<sup>th</sup> – Homework discussion

Sept 27<sup>th</sup> – Group project cash flow statements/ in class exercise

#### **Unit 4 (October 2<sup>nd</sup> – October 11<sup>th</sup>)**

Read Chapter 4 on Profitability Analysis.

Group Project: Perform profitability analysis using ratios as well as common size and percentage change on the companies. Submit via drop box by October 16<sup>th</sup>.

October 2 – Class lecture

October 4<sup>th</sup> – homework discussion

October 9<sup>th</sup> – review for exam. Group project assistance

October 11<sup>th</sup> - **Exam I (Chapters 1-4)**

### **Unit 5 (October 16<sup>th</sup> – 23<sup>rd</sup>)**

Read Chapter 5 on Risk Analysis.

Group Project: perform risk analysis ratios (current ratio, liquidity ratios, cash flow ratios) on companies. Submit via drop box by October 30<sup>th</sup>.

October 16<sup>th</sup> – Class lecture

October 18<sup>th</sup> – Homework discussion

October 23<sup>rd</sup> - Group project assistance/ in class exercise

### **Unit 6 (October 25<sup>th</sup> – October 30<sup>th</sup>)**

Read Chapter 6 on Financing Activities

Group Project: Analyze how companies are financed (equity or debt) and submit via drop box by November 6<sup>th</sup>

October 25<sup>th</sup> – Class lecture

October 30<sup>th</sup> Homework discussion

### **Unit 7 (November 1<sup>st</sup> – November 8<sup>th</sup>)**

Read Chapter 7 on Investing Activities and Section IV and V of IFRS.

November 1<sup>st</sup> – Class lecture

November 6<sup>th</sup> – Homework discussion

November 8 – Group projects

### **Unit 8 (November 13 – November 20<sup>th</sup>)**

Read Chapter 8 on Operating Activities.

Group Project: Analyze revenue and expense recognition methods and submit by November 27<sup>th</sup>.

November 13<sup>th</sup> – Class lecture

November 15<sup>th</sup> Homework discussion/ review for Exam II

November 20<sup>th</sup> - **Exam II (Chapters 4-8)** .

### **November 22<sup>nd</sup> – 23<sup>rd</sup> Thanksgiving Break**

### **Unit 9 (November 27<sup>th</sup> – November 29<sup>th</sup><sup>nd</sup>)**

Read Chapter 10 on Forecasting

November 27<sup>th</sup> – Class lecture

November 29<sup>th</sup> – Homework discussion

### **Unit 10 (December 4 – December 6<sup>th</sup>)**

Combine all parts of the group project and incorporate parts I and IV of the outline as well as any comments by the professor and present your analysis.

Submit written group project by December 7<sup>th</sup>. No late project will be accepted.

**Group presentations: December 4<sup>th</sup> and 6<sup>th</sup>**

Note: A list of ratios will be provided as we cover the chapters. These ratios will need to be included in your group project, where referenced.

## ACCT 311 Course Objectives Rubric

### ACCT 311 Financial Statement Analysis for Global Entrepreneurs

Criteria (Course Objectives)	1 (Unsatisfactory)	2 (Emerging)	3 (Proficient)	4 (Exemplary)
Demonstrate an understanding of the relationship between the income statement, balance sheet and cash flow statement.	Student cannot demonstrate an understanding of the financial statements.	Student can demonstrate an understanding of two financial statements.	Student can demonstrate an understanding of financial statements but not their relationships.	Student can identify all the financial statements and their relationships.
Analyze financial statements and identify strengths and weaknesses if firms using ratio analysis, common size and cash flows.	Student cannot analyze the financial statements using any of the methods.	Student can identify some of the ratios and use them in their analysis of the F/S.	Student can perform common size analysis and ratios analysis.	Student can perform all type of analysis on financial statements.
Demonstrate an understanding of the differences between US GAAP and IFRS.	Student cannot demonstrate an understanding of the differences between US GAAP and IFRS.	Student can identify two or less of the differences between US GAAP and IFRS.	Student can identify more than three differences between US GAAP and IFRS.	Student can identify most of the differences between US GAAP and IFRS.
Exposure to global entrepreneurship financial environment.	Student cannot identify nor demonstrate an understanding of the financial environment.	Students can identify one aspect of the 1 of the financial environment.	Students can identify a few of the financial aspects of the financial environment.	Students can identify and demonstrate an understanding of the majority of financial aspects of the financial environment.

## Financial Statement Analysis 311 – Grading Rubric

	<b>Exceeds Standards</b>	<b>Meets Minimum Standards</b>	<b>Fails to Meet Standards</b>
<p><b>Homework/Participation (10%)</b> Participation in resolution of homework assignments, application of concepts learned.</p>	Completed all homework assignments, was able to apply the proper concepts and formulas in order to resolve the problems.	Attempted the homework and partially resolved the homework problems, shows some understanding of the topics covered	No homework was submitted and/or did not participate in classroom discussions.
<p><b>Exams (30% each first and second exams) – total 60%</b> There are three exams, each covering specific chapters assigned. Grade will be based on correctness of answer as well as the process and formulas/concepts used to arrive at answer.</p>	Answer was correct and student demonstrated knowledge of proper concepts/formulas in resolving the exercises.	Answer was correct however did not apply the proper concepts/formula in resolving the exercise.	Fails to answer the problem correctly and shows minimal knowledge of subject matter.
<p><b>Group Project (30%)</b></p>			
	<b>Exceeds Standards</b>	<b>Meets Minimum Standards</b>	<b>Fails to Meet Standards</b>
<p><b>Effective written communication</b> Paper was prepared according to written instructions, followed APA format and proper use of punctuation and grammar. 3 points</p>	Paper was clear and prepared according to the outline. Followed APA format, and had minimal grammatical mistakes.	Meets basic criteria of Outline and follows APA format. Has many grammatical mistakes.	Meets some of the basic criteria for the Outline, but fails to follow APA format. Has many grammatical mistakes and hard to read and understand.

<p><b>Analysis of Various Sections of Paper</b>  Use of financial concepts/ tools – Uses concepts from each chapter to analyze the company chosen and its industry and competitors. – 25 points.</p>	<p>Prepares each of the sections as indicated in the outline and applies the proper financial analysis theories/concepts to the company analysis. Supporting calculations and explanations are included.</p>	<p>Prepares two of the four sections. Fails to demonstrate knowledge of, and/or capability to apply, financial concepts/financial analysis to the companies.</p>	<p>Prepares one or less of the four sections of the paper. Fails to demonstrate knowledge of, or capability to apply, theories &amp; tools needed to address most of the analysis required in the project.</p>
<p><b>Peer Evaluation</b>  All group members are expected to contribute to the group project. To this end, each group member will evaluate the contribution of their peers. – 2 points.</p>	<p>Was involved in all aspects of group project analysis.</p>	<p>Partially contributed to group project analysis</p>	<p>Did not contribute to written project analysis.</p>