

Texas A&M University-Commerce
College of Business and Entrepreneurship
Department of Accounting
Accounting 575 01W (82329)
FINANCIAL STATEMENT ANALYSIS
Fall, 2012

Professor: Dr. Julia M. Bristor, CPA

Online meeting time using ClassLive: tbd

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Office Hours: Campus – Tuesdays 1:30-2:30 (by appointment; subject to change); **UCD** – Wednesdays 5:15-6:15 pm or by appointment; **Virtual Office in eCollege** – Anytime

This **online** course takes a user-oriented approach to the study of financial statements with an emphasis on for-profit public companies. Students will study the role of the income statement, balance sheet, statement of cash flows, footnotes and the annual report in the financial reporting and analysis process. Topics include:

1. Examination of firms' past performance via analysis of efficiency, financial condition, profitability, liquidity, solvency, and risk using various analyses including vertical and horizontal common-size analysis, trend analysis, ratios and industry comparisons;
2. Effects of differing accounting methods on financial statement analysis;
3. Application of general purpose financial statements and related data to derive estimates and develop inferences useful in business decisions;
4. Information needs of different users (e.g., lenders', investors'); and
5. Analyses for specialized industries

This course utilizes **eCollege** software. All course materials will available in **eCollege**. (See below for more information.)

Course Embedded Assessment Objectives

Your achievement level for each objective will be measured by your ability to perform the following tasks:

1. Explain the basic principles of accounting and the assumptions of the financial accounting model.
2. Explain the role of the income statement, balance sheet, statement of cash flows, footnotes, and the annual report in the financial reporting process.
3. Explain various financial statement analysis techniques– their purpose, uses, and limitations.
4. Accurately calculate ratios and other measures in preparation for financial statement analysis.

5. Analyze and interpret a company's efficiency, financial condition, profitability, liquidity, solvency, and risk, etc. using vertical and horizontal common-size analysis, trend analysis, ratio analysis and industry comparisons.
6. Analyze and interpret the effects of differing accounting methods and management disclosures on financial statement analysis.
7. Display professionalism (attendance, participation, ethical conduct) becoming of a CPA

Student Responsibilities

Learning is every student's responsibility. My role is to facilitate and support your learning process. To accomplish the learning process you are required to:

1. Check eCollege frequently for announcements and other information.
2. Read assigned material listed on schedule before the material is covered.
3. Actively participate in the class. I will be holding ClassLive sessions each week. You should join the session and participate via asking questions, and so on. If you cannot attend, listen to the recordings and follow-up with questions in the Student Lounge. I also expect participation via the Student Lounge.
4. Complete all assigned assignments. Work additional problems to gain mastery over the material and prepare for exams.
5. Prepare for, and take, scheduled exams.
6. Submit paper on time via the appropriate basket in Dropbox.
7. Contact me about any questions or issues *when they arise*. It's much easier to help and work out a solution early-on, than later when it may be too late.

Course Pacing and Assignments

Schedule: See the schedule on the last page of the syllabus.

Chapter Assignments: See the schedule on the last page of the syllabus. Assignments are to be completed but homework is not collected. Use suggested solutions for the problems to assist in your learning. I will often work a few problems in class. If there is a particular problem you want me to cover, contact me by noon before our class meeting.

Comprehensive Financial Analysis Project ("paper"): Your assignment is to choose and analyze/evaluate a company and recommend whether or not it is a good investment. Your paper will present a comprehensive analysis of a publicly traded company's (i.e., listed on the NYSE or NASDAQ) most current YE financial statements, plus a comparison to a competitor company as well as their industry, using the tools learned in the course. The company choice is up to you. I suggest you select a company and/or industry in which you are interested. Contact me if you need any suggestions. If you wish to approach the assignment from a different vantage point, or use a not-for-profit or non-public company, discuss with me.

Finding Companies: One way to check out companies and look at their filings is to go to <http://edgar.sec.gov>. Click on the blue box near the bottom right that says "Search Company Filings" and type in the company's name.

Paper Details: Analyze the company using the tools in the text and other outside sources (without collaboration). Outside sources means articles, websites, databases and other library sources but not other people. Use outside sources to corroborate and supplement your analysis. However, your primary source of information must be the textbook and the financial statements. Be sure to cite your sources within your paper. Be sure to explain, based on your evaluation, why or why not the company is a good investment opportunity. Write your paper in APA format, double spaced, and free of fluff. Use section headings, summaries, tables and other techniques to communicate effectively.

An example of an analysis can be found following Chapter 10 of the text (“Summary Analysis Nike, Inc.”). However, do not over-rely on it, as there are certain aspects that I do not want you to duplicate. I will often provide helpful information about the paper during lectures.

FinSAS File Requirement: You must use the FinSAS: Financial Statement Analysis Spreadsheet provided at the Textbook Student Companion website. FinSAS allows you to perform analyses on any set of financial statements using ratios covered in the text. This tool will save you hours of number crunching and allow you to concentrate on analysis and interpretation. Download the file FinSAS.xls immediately; don’t download the Flexible files.

Intermediate Due-Dates. See the weekly class schedule.

Due Date: Your paper must be uploaded to the **eCollege Dropbox** by midnight on December 7, 2012 and must consist of two files. You do not need to turn in the FinSAS file for your competitive company:

1. Word document containing your written analysis. Use the following file naming convention: **Lastname-Companyname-paper.doc**. For instance if my paper analyzed Apple, the file would be called Bristol-Apple-paper.doc.
2. FinSAS spreadsheet containing your financial analysis. Use the following file naming convention: **Lastname-Companyname-paper.xls**.

Ethics

“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.)

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 an F grade and/or further academic sanction (i.e., course failure (F), dismissal from the class, and/or referral to the Dean of the College of Business and Technology).

Please complete the Academic Honesty policy located in eCollege and upload it into the appropriate Dropbox Basket by 7 pm August 31, 2012 using the following naming convention: **Lastname-Academic Honesty Policy**.

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 have a disability and require accommodation, please contact:

Office of Student Disability Resources and Services
Texas A&M University-Commerce

Gee Library, Room 132
Phone: 903.866.5150 - or - 903.886.5835
Fax: 903.468.8148
Email: StudentDisabilityServices@tamuc.edu

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.

Textbooks, Materials and Other Resources

A. Required Text

1. Gibson, Charles H. (2012). *Financial Reporting and Analysis* (13th ed.). Mason, OH: South-Western Cengage Learning. (ISBN-10: 1-133-18879-6). You are expected to **bring your text to class**.
 - a. Textbook purchase website: <http://www.cengagebrain.com/shop/search/9781133188797>
 - b. From the above link, click on "Access" to be directed to FREE book companion resources. There you will find a variety of resources available to assist your learning, including **Interactive Quizzes, To the Net** assignments, **Web Cases, FinSAS**, and more.
2. Online access to the THOMSON ONE: Business School Edition website: <http://www.cengage.com/thomsonone>. A one-year complimentary access code is included with the purchase of a new textbook. You may also find an access code in other textbooks that you have previously purchased. You will need to purchase an access code if your text does not include one.

B. Recommended Texts

1. Any current text on Intermediate Accounting (as a reference).
2. American Psychological Association (APA). (2009) *Publication Manual of the American Psychological Association* (6th ed.). Washington, D.C.: Author. (ISBN: 1-4338-0562-6). Or go to the Perdue Online Writing lab (OWL) at <http://owl.english.purdue.edu/owl/section/2/10/>
3. May, C., & May, G. (2009). *Effective Writing: A Handbook for Accountants* (8th ed.). Upper Saddle River: Pearson. (ISBN: 978-0-13-602908-3).
4. Siegel, J., et al., (Ed.). (2005). *Dictionary of Accounting Terms* (4th ed.). Hauppauge: Barron's. (ISBN: 0-7641-2898-1).

C. Required Technology

1. Computer with a high-speed Internet connection.
2. Microsoft Windows environment and a recent version of Microsoft Internet Explorer, Chrome or Firefox work. eCollege should also work with Macintosh OS X or higher, along with a recent version of Safari, Firefox or Chrome. Go to www.online.tamu.org, click the Technical Requirements near the top right for more information or to perform a "browser test" prior to the course start. Please **do not** contact me about technical issues. Trust me – you don't want my technical advice.
3. Software: Microsoft Word and Microsoft Excel.

4. Basic calculator. The HP 21C, HP 10BII, or the TI BAII Plus are all excellent choices.

D. Technology notes

1. **Online Registration:** All students are automatically registered online at <http://online.tamuc.org> for this course. Your user ID is the same as you use for MyLeo; you may also enter the online course from inside MyLeo. Keep your email address current and check it regularly. YOU are responsible for all email I send, regardless of whether or not you read it.
2. **Pop-ups:** Your Internet Explorer browser may be set to block pop-ups. To avoid this, **disable the pop-up blocker** to the online learning sites. To temporarily turn it off or disable it for a specific web site, go to Tools/Pop-up Blocker/Turn Off Pop-up Blocker *or* Pop-up Blocker Settings, or use the help function on your browser.
4. **Technical Support:** Please complete the **eCollege** student tutorial. Also **eCollege** has a help button on the top right of the screen. If at any time you experience technical problems (e.g., you can't log in to the course, you can't see certain material, etc.) please contact the Help Desk, which is available 24 hours a day, 7 days a week. (www.online.tamuc.org, email helpdesk@online.tamuc.org or call 1-866-656-5511). Please **do not** contact me about technical issues. Trust me – you don't want my technical advice.
3. **Contacting me:** Emails/Virtual Office are the best way to reach me. Please put your name and course/section in the subject line and give me 24 hours to respond (48 on weekends). **Please do not ask me to confirm that I have received your email.** I know spam filters are imperfect so feel free to attach a return receipt to your email.

E. eCollege Resources

1. I will be covering material in a lecture format, and working problems using the **Live** feature in eCollege. I'll poll the class to determine what the best times are and if necessary, vary the sessions by day/time.
2. In addition to the **Library** (see below), I urge you to make use of the **Student Lounge** and **Virtual Office**. Use the **Student Lounge** to obtain help from others regarding resources, problems downloading FinSAS, etc. If you email me with these types of questions, I'll tell you to use the SL. If you see questions you can answer, do so. This will enhance your participation grade. Use the **Virtual Office** to ask course-related questions so others will benefit from reading my response. If you send me a private email asking a question that others will probably want to hear, I'll tell you post it in the VO. So save yourself some time and use these resources from the get-go.

F. Texas A&M University Commerce Library

1. Accessible through www.tamuc.edu and within eCollege. This is a great resource for finding industry information. Spend some time learning how to use library resources to find what you need. Do not wait until the last minute because it'll take some "digging."
2. Link to the research guide for the College of Business: <http://tamuc.libguides.com/busref>.
3. You can also contact Sarah Northam, Interim Head of Reference at Sarah.Northam@tamuc.edu.
4. Students often find that the Mergent Online Database is helpful.
5. I am trying to arrange for some tutorials. Stay tuned.

G. Texas A&M University Commerce Writing Center

1. Polished writing skills are an essential professional skill. There are many reasons that students' skills need improvement, e.g., English is not first language; a student's background has emphasized technical and quantitative skills; a student hasn't been exposed to business writing,

etc. Whatever the reason, a poorly written paper will detract from the grade of the most brilliant analysis ever written. Therefore, consider using the Writing Center as a resource. I urge you to learn about their available resources well in advance of the paper's due date.

- a. You can learn about the center by going to www.tamuc.edu. From there, click Resources, then Academic Assistance & Programs, then Writing Center.
- b. The Writing Center also has an Online Writing Lab (writing.TAMUC.edu) that can help you improve your writing skills.

Evaluation

COMPREHENSIVE FINANCIAL ANALYSIS PROJECT (PAPER)	
Possible Points	Grading Guide
0-100	<p>< 60= Inadequate paper significantly unresponsive to assignment. Poor use of financial analysis tools and authoritative sources. Poor to no analysis and interpretation, and/or difficult to understand and/or not supported with sound reasoning. Paper very difficult to read due to disorganization, and/or grammatical and other errors. Significant lack of adherence to APA guidelines such as proper citations of referenced works.</p> <p>60-69= Weak paper significantly unresponsive to assignment. Weak use of financial analysis tools and authoritative sources. Weak analysis and interpretation. Paper difficult to read due to disorganization, and/or grammatical and other errors. Significant lack of adherence to APA guidelines such as proper citations of referenced works.</p> <p>70-79 = Average paper partially responsive to assignment. Average analysis with unremarkable use of financial analysis tools and authoritative sources. Missed significant issues, or analysis and interpretation undeveloped. Readable, but contained grammatical and other errors. Lack of adherence to APA guidelines such as proper citations of referenced works.</p> <p>80-89 = Above average paper, mostly responsive to assignment. Identified most relevant issues and presented sufficient analysis and interpretation. Above average use of financial analysis tools and other authoritative sources. Paper reasonably well written and organized with few grammatical and other errors. Generally followed APA guidelines including proper referencing of works cited.</p> <p>90-100= Excellent paper, fully responsive to assignment. Identified, analyzed and interpreted, and effectively communicated complex issues while effectively integrating data or information from authoritative sources. Paper was well written, organized, informative, persuasive, easy to read, and followed APA format, including proper referencing of works cited.</p>

Course Rubric

	1 (Unsatisfactory)	2 (Emerging)	3 (Proficient)	4 (Exemplary)
Explain the basic principles of accounting and the assumptions of the	Student cannot explain the basic principles of accounting and the	Student can explain some of the basic principles of accounting and some	Student can explain most of the basic principles of accounting and most	Student can explain consistently the basic principles of accounting and the

financial accounting model.	assumptions of the financial accounting model.	of the assumptions of the financial accounting model.	of the assumptions of the financial accounting model.	assumptions of the financial accounting model.
Explain the role of the income statement, balance sheet, statement of cash flows, footnotes and the annual report in the financial reporting process.	Student cannot explain the role of the financial statements in the annual reporting process.	Student can explain some of the elements of the role of the financial statements in the annual reporting process.	Student can explain most of the elements of the role of the financial statements in the annual reporting process.	Student can explain all key elements of the role of the financial statements in the annual reporting process.
Explain various financial statement analysis techniques – their purpose, uses and limitations.	Student cannot explain financial statement analysis techniques.	Student can explain some financial statement analysis techniques.	Student can explain most financial statement analysis techniques.	Student can consistently explain financial statement analysis techniques.
Accurately compute ratios in preparation for financial statement analysis.	Student cannot compute financial statement ratios assigned.	Student can compute some financial statement ratios assigned.	Student can compute most financial statement ratios assigned.	Student can consistently financial statement ratios assigned.
Analyze and interpret a company's efficiency, financial condition, profitability, liquidity, solvency and risk using analysis techniques.	Student cannot analyze and interpret the efficiency, financial condition, profitability, liquidity, solvency and risk of a company.	Student can partially analyze and interpret a company's efficiency, financial condition, profitability, liquidity, solvency and risk.	Student can analyze and interpret most of a company's efficiency, financial condition, profitability, liquidity, solvency and risk of a company.	Student can consistently analyze and interpret a company's efficiency, financial condition, profitability, liquidity, solvency and risk.
Analyze the effects of differing accounting methods and management disclosures on financial statement analysis.	Student cannot analyze the effects of differing accounting methods and management disclosures on financial statement analysis.	Student can make some analyses of the effects of differing accounting methods and management disclosures on financial statement analysis.	Student can make most analyses of the effects of differing accounting methods and management disclosures on financial statement analysis.	Student can consistently analyze the effects of differing accounting methods and management disclosures on financial statement analysis.
Display professionalism becoming of a CPA in terms of attendance, participation, and ethical conduct.	Student lacks CPA-level of professionalism.	Student inconsistently displays CPA-level of professionalism.	Student usually displays CPA-level of professionalism.	Student consistently displays CPA-level of professionalism

Grades are based upon total points received on:

1. Exam I (Chapter 1-6) – 20%
2. Exam 2 (Cumulative) – 20%
3. Paper – 45%
4. ClassLive and other Participation – 15%

Grading scheme (final grades *may* be curved up, at my option):

- A 90 – 100%
- B 80 – 89%
- C 70 – 79%
- D 60 – 69%
- F < 60%

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FINANCIAL STATEMENT ANALYSIS WEEKLY SCHEDULE
Fall, 2012

Week	Week of	Chapter ¹ and Topics ²	Chapter Assignment	Paper & Other Assignments
1	8/27/12	1 Introduction to Financial Reporting Demonstrate FinSAS download and basic data input	P: 1-5 C: 10	Signed Academic Honesty & Student Information Sheet due by 7 pm, Friday August 31, 2012.
2	9/3/12	2 Introduction to Financial Statements and Other Financial Reporting Topics	P: 5 - 11 C: 3, 4, 6	Upload your FinSAS file with your & your company's name and number of periods (minimum 3 I/S and 4 B/S ³) to appropriate Basket in Dropbox by 6:00 pm for my review and approval.
3	9/10/12	3 Balance Sheet	P: 1, 7 - 9, 14 C: 2	
4	9/17/12	4 Income statement	P: 5, 11, 15 - 17 C: 1	B/S data must be completed in FinSAS
5	9/24/12	5 Basics of Analysis	P: 1, 2, 7	I/S data must be completed in FinSAS
6	10/1/12	6 Liquidity of Short-Term Assets; Related Debt-Paying Ability	P: 3, 8, 11, 13, 20, 24 C:1	"Other" data and sources tab must be completed in FinSAS
7	10/8/12	Exam I (Chapters 1-6) Writing Workshop		The exam will be available online. We will meet for about an hour to discuss writing.
8	10/15/12	7 Long-Term Debt-Paying Ability	P: 5 - 8, 10 - 11 C: 1	We will spend time peer reviewing each other's writing assignment from the previous week.
9	10/22/12	8 Profitability	P: 5, 11, 13 C: 3	
10	10/29/12	9 For the Investor	P: 1, 2, 3, 14 C: 1, 3	

¹ You are expected to bring your textbook to class

² Tentative

³ Unless your company is new, or there was a significant change such as an acquisition.

11	11/5/12	10 Statement of Cash Flows	P: 2, 8, 11 C: 1	
12	11/12/12	11 Expanded Analysis	P: 1 - 5, 11	
13	11/19/12	Thanksgiving week - No Class		
14	11/26/12	12 Special Industries: Banks, Utilities, Oil and Gas, Transportation, and Real Estate Companies	P: 5, 7 - 9 C: 4	
15	12/3/12	13 Personal Financial Statements and Accounting for Governments and Not-for-Profit Organizations	P: 1, 5, 12 - 14	
16	How are exams times set?	Exam II (Cumulative)		Research paper due by midnight (12/7/12) to appropriate basket in eCollege Dropbox.