

Texas A & M University – Commerce
College of Business and Entrepreneurship
Department of Accounting
Syllabus
Financial Statement Analysis for Global Entrepreneurs
311-01E
Call # 80005
Fall 2013

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Office hours: Tuesdays and Thursdays 2:00 pm -3:30 pm, other times by appointment
Course Meeting Day/Time/Room: TR 11:00 – 12:15 pm in BA 109

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, and trend analysis and valuation methods. Prerequisite Acc 222 and a minimum of 55-semester hours credit.

Required for: BBA, MBA

Course Materials:

Required Text:

Fraser, Lyn, M., Ormiston, Aileen. 10th Edition. *Understanding Financial Statements*. Pearson (ISBN-13: 978-0-13-265506-4, ISBN-10: 0-13-265506-3).

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.
4. Participate in all discussions

Course Evaluation:

Grades will be based upon the following items:

Homework/Cases/Participation	20%
First Exam	20%
Second Exam	20%
Group Project (6 sections)	40%

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 chapter every two weeks. Homework will be assigned after every unit so that you may reinforce the concepts learned so please attempt the problems. These are due at the beginning of class and should be emailed to the professor. If you have difficulty with a problem, please email me or make an appointment to receive help. Completing the homework and cases will be beneficial to helping you prepare for examinations.

Discussions

There will be a case discussion for each Unit. You will be required to submit a written report on the case assigned. In addition, we will discuss several cases in class related to the chapters we will be covering. You should come prepared to class to discuss the case and email your discussion by the beginning of class.

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 or analyze a case like those assigned as homework as well as multiple questions related to concepts and terminology. There are no make-ups for the two 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. **Only one member of each group should submit the section of the project that is due every two weeks with a cover sheet attached indicating the name of the company and the members of the group.** I will return the submitted report to the member that group, and it will be that member's responsibility to distribute the feedback to each member of the group. If a group member's name is NOT on a report submitted by the group I will assume that individual has not performed the work and will not receive credit for that portion.

To complete this project you will work in groups of 3-4 students (you may choose the members of your group). All students are equally responsible for the work that is turned in and on occasion I may ask for verification of your contribution to the group if problems arise amongst team members. 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 two identifiable comparable firms. All companies need to operate on an international basis.

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. You must cite any information or idea that is not yours that you are using in your project.

Data

The time period for the financial statement analysis should include the most recent three years, for 3 companies (the main company you choose to analyze, and the other 2 companies you will use as an industry comparison). 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. Each section encompasses providing the necessary information and calculations for all 3 companies being analyzed (the main company you have chosen and the other 2

chosen as a comparison). For example, if you are writing the section on the firm and industry, I expect a description for all 3 companies).

Suggested Outline for the Financial Statement Analysis

- I. Introduction (2% of final project grade)
 - A. Objective of paper (written in conjunction with Part II)
 - B. Summary of findings (Included in final report)

- II. Firm, Industry, and Environment (10% of project grade)
 - A. Description of firm and its management
 - B. Discussion of competitive environment (Porter's 5 forces)
 - C. Economic climate and outlook
 - D. Other factors, e.g. governmental regulations, labor relations, litigation

- III. Balance Sheet Analysis (10% of project grade)
 - A. Common-size analysis
 - B. Horizontal analysis

- IV. Income Statement Analysis (10% of project grade)
 - A. Common-size Analysis
 - B. Horizontal Analysis

- V. Cash Flow Statement Analysis (5% of project grade)
 - A. Analyze the 3 sections of the cash flow statements as well as overall.

- VI. Ratio Calculation of Financial Statements (10% of project grade)
 - A. Liquidity Ratios
 - B. Asset Ratios
 - C. Leverage (debt) ratios
 - D. Profitability ratios
 - F. Market ratios

- VII. Summary, and Conclusions (3% of project grade)

- VIII. Appendix (All tables and figures)

- IX. Bibliography/References

Written Report

The final written report should be between fifteen to twenty pages in length however it can be longer, if necessary. It should include all the sections mentioned above in the outline. With the exception of Section I and VII, all the others will have been performed throughout the semester. The final group project will be submitted the last week of class and consist of all the sections combined into one paper along

with Sections I and VII which should be prepared once your final calculations are completed. An unlimited number of attachments are allowed and will not be counted in the limit of 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 overall conclusion of the firm. This page should be able to stand alone as a summary of your analysis. All sources need to be cited and referenced appropriately in the written document.

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

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 any 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 quickest manner in which to get in touch with me is through email as I check the class in the mornings and in the evenings only.

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 ACCT 311 – Fall 2013

Unit 1 Financial Statements (Aug 27 – Sep 5th, 2013)

- Read Chapter 1 on Financial Statements (including Appendix 1A on the Sage Inc. Case) and answer the self-test questions at the end of the chapter
- Group Project: Begin forming a group of 3-4 individuals and choose 3 companies to analyze (a main company to analyze and 2 others to use as a means of comparison). Obtain approval for the companies you have chosen and begin downloading the Forms 10-K for the 3 most recent years for all 3 companies. Complete Part II of the outline for the 3 companies by Sep 10th.

Aug 27th – Overview of Class

Aug 29th – Class lecture on Chapter 1

Sep 3rd - Discussion of Case 1.4 Apple Inc. and study questions 1.1 – 1.10 on page 35. In addition be prepared to answer the 4 questions on page 39 relating to the case. Expectations of Part II of the group project which is due on Sep 10th are discussed. Case discussion should be emailed by the beginning of class.

Sep 5th- Work on group projects.

Unit 2 Balance Sheet (Sep 10th – Sep 19th)

- Read Chapter 2 Balance Sheet and answer the self-test questions at the end of the chapter.
- Group project: Perform common-size and horizontal analysis for the balance sheet for all 3 companies and submit a written report along with the calculations by Sep 26th.

Sep 10th– Class lecture on Chapter 2

Sep 12th – Continue with Ch 2 and Discussion of Case 2.3 Logitech International. In addition the homework assignment consists of answering problems 2.1-2.10 on page 81. The assignment and case discussion are due at the beginning of class and should be emailed to the professor. In addition you should be prepared to answer the questions in class.

Sep 17th– Discussion of group project analysis (vertical and horizontal analysis-B/S). Class exercise and examples of analysis will be provided.

Sep 19th - Assistance with group projects.

Unit 3 Income Statement & Stockholder's Equity (Sept 24th –Oct 10th)

- Read Chapter 3 on Income Statement and Statement of Stockholder's Equity (including Appendix 3A) and answer the self-test questions at the end of the Chapter
- Group Project: Perform Common-size analysis and horizontal analysis on income statements for all 3 companies. Submit your calculations and a written report by October 8th.

Sept 24th – Class lecture on Chapter 3

Sep 26th – Discussion of Case 3.4 and study questions 3.1-3.11 and 3.14

Oct 1 – Group project discussion on income statement analysis

Oct 3 – Class exercise.

Oct 8 – Review for Exam I. Group project due.

Oct 10 - Exam II (Chapters 1-3)

Unit 4 Statement of Cash Flows (Oct 15 – Oct 22th)

- Read Chapter 4 on Statement of Cash Flows and answer the self-test questions at the end of the chapter.
- Group Project: Perform an analysis on the 3 sections of the cash flow statement for all 3 companies and submit the cash flows and a written analysis by Oct 24th.

Oct 15 – Class lecture on Cash Flows

Oct 17 – Review of study questions and problems Ch 4, Case 4.3 discussion

Oct 22 – Group project discussion and class exercise.

Unit 5 Ratio Analysis (Oct 24 – Dec 5th)

- Read Chapter 5 on Financial Statement Analysis and ratio calculations and answer the self-test questions at the end of the chapter.
- Discussion: Case 5.3 Spartech Corporation
- Group Project:
 - Calculate liquidity ratios and asset ratios for all 3 companies

- Calculate leverage ratios for the 3 companies
- Calculate Profitability ratios and Market ratios for the 3 companies
- Ratio calculations and written report is due by **Nov 19th**.
- Combine all parts of the group project and incorporate part I, VII and VIII of the outline as well as any comments by the professor. Submit final group project by **Dec 5thth**.
- (Note: A list of ratios will be provided for each type of ratio when we cover Unit 5).

Oct 24th – Class lecture on Chapter 5 Liquidity ratios and asset ratios.

Oct 29th – Lecture on Leverage ratios and assistance with written analysis

Oct 31st – Discussion of Profitability and Market ratios

Nov 5th - Discussion of study questions 5.1 – 5.5, and Case 5.3 Spartech Corporation. Submit all homework by the beginning of class.

Nov 7th – Work on group project.

Nov 12th – Assistance with group project

Nov 14th – Review for Exam II

Nov 19th – Exam II (Chapters 4-5) in class. Ratios analysis is due.

Nov 21st – Discussion of Parts I, VII and VIII and assistance with group projects,

Nov 26th - Assistance with group projects

Nov 28th – Thanksgiving Holiday

Dec 3rd – Group project presentations

Dec 5th - Group project presentations / Final project due.

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

	Exceeds Standards	Meets Minimum Standards	Fails to Meet Standards
<p>Homework/Discussion Participation (20%) 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>Exams (20% each first and second exams) – total 40% 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>Group Project (40%)</p>			
	Exceeds Standards	Meets Minimum Standards	Fails to Meet Standards
<p>Effective written communication 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>Analysis of Various Sections of Paper Use of financial concepts/ tools – Uses concepts from each chapter to analyze the company chosen and its industry and competitors. – 35 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 & tools needed to address most of the analysis required in the project.</p>
<p>Peer Evaluation 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>