



ACCT 7340: Financial Statement Analysis

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Course Description and Objectives

This course is designed to develop skills in financial statement analysis with special emphasis on understanding, organizing, and summarizing financial data for decision making purposes related to valuation. The course focuses on two themes. The first is financial and accounting analysis which consists of documenting and understanding a firm's profitability relative to past performance and comparable firms. Ratio analysis, accounting quality, and earnings management are the focal points of this portion of the course. The second theme is equity valuation, which is primarily interested in creating and forecasting pro-forma financial statements in order to obtain the intrinsic value of the firm. This portion of the course focuses on utilizing information in the financial statements to guide the valuation process.

By the end of the course, you should have an in-depth understanding of financial statements and the ability to use this understanding to analyze business situations and to articulate logical solutions to complex or unstructured accounting and financial problems (MSACCY learning goal "Analytical Problem Solving Skills"; MBA learning goal "Critical Thinking"). Furthermore, we will discuss the subjective nature of accounting choices which will enable you to explain ethical considerations in the context of financial information and allow you to recognize and evaluate alternative courses of action (MSACCY learning goal "Ethical Reasoning"; MBA learning goal "Ethical Reasoning").

Several features of the course facilitate achieving the course objectives. The textbook and accompanying quizzes provide a conceptual foundation for the course by introducing financial statement analysis topics and the basics of firm valuation. The cases serve as the basis of class discussion and provide a challenging test of your understanding of the topics.

Course Materials

Financial Statement Analysis & Valuation by Peter D. Easton, Mary Lea McAnally, Gregory A. Sommers, and Xiao-Jun Zhang, Fourth Edition (4e), Cambridge Business Publishers, LLC, 2015

Other course materials (e.g., cases, readings) are posted on Blackboard. Quizzes are available on myBusinessCourse

Course Details

Grading

Grades for the class are determined based on your **relative performance** (i.e., you are graded on a curve) based on the following components:

Exam #1	30%
Exam #2	35%
Cases	15%
Quizzes	15%
Class Participation	<u>5%</u>
Total	100%

In prior classes, the average grade was approximately a B+. Feedback on your relative class performance is provided periodically throughout the class.

Exams

There will be two exams based on financial statement information. Both exams are open book and open notes.

Cases

Logistics: The cases are to be turned in at the beginning of class on the due dates outlined in the course schedule on Blackboard. If you anticipate missing a class, you can turn in the assignment before class at my office. Some assignments are to be completed individually and others in groups. (Groups can have up to six class members.) The assignments are designed to give you practice applying the related concepts and tools without grade-related pressure and to prepare you for class discussion and examples.

Grading: If your assignment write-up reflects careful thought and effort, you will receive full credit; if the assignment is not completed on time, or lacks thought and effort, you will receive no credit (or partial credit at my discretion). I will also call on specific groups to present a summary of specific case questions during the specified class session. Grades on cases can be influenced by a group's discussion of the case.

Solutions: In-class discussions are structured to give you feedback and insight into the key issues and "solutions" for each assignment. **Graded copies of the assignment write-ups will not be returned**, so please keep an extra copy to refer to during in-class discussion.

Please submit your case assignment with the following standard format at the top of the first page:

ACCT 7340
Date: MM-DD-YYYY

Team Members

“We acknowledge that we adhered to the Bauer Code of Ethics and that we did not receive any outside assistance on this assignment.”

Name of Case (e.g., GE, Seneca)

Quizzes

Completing the quizzes is an important part of the course. Quizzes are online and must be completed in **myBusinessCourse**. Quiz questions are drawn from questions from the book. They are due by 8a.m. central time on the due date. After 8a.m., the quizzes will no longer be available on myBusinessCourse. Please see the myBusinessCourse website for specific details. The quizzes are open book. I will drop your two lowest quiz scores.

Excel

The cases and exams require extensive use of Excel. If you are uncomfortable using the basic functionality of Excel (formulas, copy, paste, navigating between sheets, etc.), I recommend you refresh your Excel skills before taking the course.

Class Participation

I expect professional conduct in the classroom at all times. Each student is expected to come to class on time and to be actively involved in all class discussions, including asking questions and sharing your knowledge and experiences with the rest of the class. I will call on students that volunteer to participate, but will avoid calling on the same students repeatedly. Reward is not given solely for the quantity of comments. Furthermore, there are no penalties for “wrong” answers. It is the attempt to thoughtfully reason through a problem or to ask a pertinent question that is valued and adds to the classroom experience for everyone. Cold calls are fair game.

Preparation for Class

Class sessions will focus on interactive lectures and case discussions in which we will address both mechanical accounting issues and important analytical and strategic issues. Typically, I will not provide detailed lectures that show you how to work problems, and then expect you to work similar problems. Instead, this class utilizes an active learning approach. Students are expected to use the available resources to prepare the assigned material prior to coming to class. I will use class time to help you understand the more complex issues and to highlight the important take-aways from the assigned material. The bottom line is that if you do not adequately prepare for class, you will have trouble following the discussion.

Deadlines

The cases write-ups must be submitted by the start of class on the date indicated for class discussion. No late case assignments will be accepted. As stated above, the quizzes must be completed online in **myBusinessCourse** by 8am the day they are due. No late quizzes will be accepted.

Regrade Requests

Regrades will be considered when a typed, written request has been submitted *to me* detailing the specific nature of the issue. Requests must be submitted within 48 hours of the exam being returned. There will be no regrades for requests failing to meet this deadline. Furthermore, I

reserve the right to regrade the entire exam, not merely to section of contention. This may result in a lower grade being assigned than that originally received.

Miscellaneous Course Policies

Academic Honesty

The University of Houston Academic Honesty Policy and the Bauer College Code of Ethics and Professional Conduct are strictly enforced by the C.T. Bauer College of Business. No violations of these policies will be tolerated in this course. These policies may be found in the Student Handbook at <http://www.uh.edu/dos/pdf/2010-2011StudentHandbook.pdf> and at <http://www.bauer.uh.edu/centers/bcbe/bauer-code-ethics.asp>, respectively. Bauer College students are expected to be familiar with these policies. The following points provide additional information about my expectations with respect to cases and quizzes for this course.

- Quizzes submitted to myBusinessCourse should be completed individually. If you have questions, please direct them to me.
- A student assumes full responsibility for all cases that are submitted with his/her name attached, regardless of whether the assignment was partially or entirely completed by other group members (in the case of group assignments).
- It is a violation of the academic honesty policy if a student reviews class notes on a case discussion from another source before handing in the case assignments. Groups should not discuss the cases with other groups before they are handed in. Furthermore, the exams should be completed individually. This means you should not consult with other students when completing the exams. If you have any questions, please refer them to me.

Attendance

Attendance is a key part of the learning experience. You are expected to attend all class sessions and report to me any sessions that you miss. If you miss more than three sessions during the semester, your grade will be reduced by one third of a point per excess absence on a four point grading scale (e.g., from an A to an A-).

Laptops

Students are required to place their laptop computers in the closed position while class is in session. I will relax this policy for instructional purposes on many occasions.

Cell phones

Students are required to turn their cell phones off while class is in session. I may relax this policy in some situations, such as a family member in a serious medical situation. Please see me prior to the start of class if you have a situation that requires you to have your cell phone in “vibrate” mode.

Disability Based Accommodations

The C.T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, students must register with the Center for Students with Disabilities (CSD) (Telephone 713-743-5400) and present approved accommodation documentation to me in a timely manner.

Evaluation for Instructors

The C.T. Bauer College of Business has a policy for its instructors to be evaluated by students to provide feedback on how their performance can be improved. I encourage you to participate in the evaluation process. To improve the course I need to hear from you.

Course Schedule

The course schedule is posted on Blackboard.