COURSE INFORMATION

Class Days: Thursday  
Class Times: 7:00-9:40 PM  
Class Location: EBA 340

Office Hours Times (and by appointment): Tuesday 1-2 PM  
Office Hours Location: SSE 2411  
Units: 3

Course Overview

The goal of this course is for you to develop skills and abilities in using financial statement information and related disclosures to understand and evaluate the underlying economics of a company. This course explores in greater depth financial reporting topics introduced in the core course in financial accounting and also examines additional topics including PowerModules™ not covered in that course. Financial information and disclosures are collected from company’s Form 10-K, 10-Q, and proxy statements. These SEC filings are the primary source of information about the company’s past and current performance, business strategy, and competitive environment—and serve as the foundation for estimating the fundamental value of a company. This course is designed to prepare you to interpret and analyze financial statements effectively. The viewpoint is that of the user of financial statements. This course is designed primarily for students who expect to be intensive users of financial statements as part of their professional responsibilities.

Student Learning Outcomes

MSA students will graduate being able to:

• Compare, contrast, interpret, or criticize accounting and business decisions and information using professional business communication
• Actively participate in team decision making.
• Apply ethical judgment and professional standards in analyzing situations and formulating accounting and business decisions
• Use relevant research tools and academic/professional literature to analyze or take a position in accounting and business situations
• Address unstructured problems in the areas of accounting information systems, financial reporting, or taxation
• Identify and discuss the significance of diversity and cultural differences in the global business environment

At the end of this course students should be able to:

1. Measure the quality of financial statements by
   a. investigating management’s strategic accounting choices and
   b. adjusting accounting numbers to improve the quality,
2. Analyze financial statements by
   a. preparing analytical financial statements and
   b. computing and interpreting financial ratios.
3. Write an analysis report for business decisions (e.g., loan, merger, strategic planning).

Please find a link to the program and course level student learning outcomes at: http://cbaweb.sdsu.edu/assessment/slo

Enrollment Information

This course is designed for students that have a working knowledge of financial accounting. The minimum pre-requisites for this course are the core course in financial accounting (Acctg 620, BA650 or Acctg 201) and a core course in managerial/cost accounting.

WHO SHOULD TAKE THIS COURSE?

This course should be of interest to students pursuing the following careers:

• Financial accounting and reporting (from staff accountants to analysts, controllers, CFOs)
• External and internal auditing
• Equity research (sell-side, buy-side)
• Investment banking
• Management consulting
• Private equity and venture capital

Course Materials

• Cases and other materials posted on Blackboard or handed out in class

Course Structure and Conduct

• Readings, cases and/or problems are assigned for each class. You should come to class prepared to discuss your analysis of the cases and problems. Regular class participation is important to the learning process for you and your classmates.

• Twenty percent of your grade will be based on “class preparation.” You can receive these points either from actively discussing the cases and problems in class or handing in the assignment at the beginning of the class. No late assignments will be accepted nor will I accept e-mailed or faxed assignments.

• All assignments should be prepared using word processing software with type size no smaller than 12 point. You can include tables or spreadsheets as well, as long as they are carefully labeled and defined. During class discussions, please feel free to make changes to your solutions, but do so in a way that clearly indicates that they are the result of class discussion (e.g., using a different color of ink).

• You may work in groups to discuss homework assignments. However, each person should prepare his/her own individual homework solutions to be submitted. Ideally, you should work through each day’s assignment on your own before discussion it with anyone. You can then make changes to your solution based on your learning in any discussion. Interpretations of the analysis should be in your own words.

• Additional assignments either will be discussed in class or are extra problems for your benefit. I will tell you the assignments that will be discussed in class prior to that class.

Group Project

You will self-select yourselves into groups of 5 or 6 in class on January 29. In total, I would like to see 6-8 groups. On February 19 or sooner, each group will choose an industry to analyze, for example, fast food or women’s clothes. Each person in the group will choose his/her own firm in the industry. Your group will present orally a 25 minute industry analysis using the firms in your industry, followed by 5 minutes of Q&A. The 25 minutes will be strictly adhered to – like the NFL football draft, you will be on the clock and cut-off after the 15 minutes. There will be five presentation dates to choose from: April 9, 16, 23, 30 and May 7.

On March 5, each group will choose the presentation date (tie breakers will be decided in class). The analysis should cover the relevant topics discussed up to the presentation date. You are to summarize the economics and current conditions in the industry and each firm in your industry. Describe the strategies each of the firm pursues, perform a profitability and risk analysis, a cash flow statement analysis, and talk about any other relevant items. The oral presentation will be accompanied by either your power point slides or a 3-5 page report. Each person will attach a 1-2 page analysis of his/her firm including tables and graphics – attached to that you will put the firm’s most recent annual report (Financial Statements ONLY NO NOTES and NO MD&A).

More details of the project will be given as the semester progresses.

Timetable

Select group of 5-6 in class January 29
Select industry and firms February 19
Select presentation date March 5

Students with Disabilities

If you are a student with a disability and believe you will need accommodations for this class, it is your responsibility to contact Student Disability Services at (619) 594-6473. To avoid any delay in the receipt of your accommodations, you should contact Student Disability Services as soon as possible. Please note that accommodations are not retroactive, and that accommodations based upon disability cannot be provided until you have presented your instructor with an accommodation letter from Student Disability Services. Your cooperation is appreciated.
**Academic Honesty**

The University adheres to a strict policy regarding cheating and plagiarism. These activities will not be tolerated in this class. Become familiar with the policy (http://www.sa.sdsu.edu/srr/conduct1.html). Any cheating or plagiarism will result in [insert your policy on cheating or plagiarism, e.g., failing this class and a disciplinary review by Student Affairs.]

Examples of Plagiarism include but are not limited to:

- Using sources verbatim or paraphrasing without giving proper attribution (this can include phrases, sentences, paragraphs and/or pages of work)
- Copying and pasting work from an online or offline source directly and calling it your own
- Using information you find from an online or offline source without giving the author credit
- Replacing words or phrases from another source and inserting your own words or phrases
- Submitting a piece of work you did for one class to another class

If you have questions on what is plagiarism, please consult the policy and this helpful guide from the Library

**Turnitin**

Students agree that by taking this course all required papers may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. You may submit your papers in such a way that no identifying information about you is included. Another option is that you may request, in writing, that your papers not be submitted to Turnitin.com. However, if you choose this option you will be required to provide documentation to substantiate that the papers are your original work and do not include any plagiarized material.

**Assessments and Grading**

Course grades will be assigned in accordance with San Diego State University policy (see Graduate Bulletin, pp. 62-64). Graduate grades shall be: A (outstanding achievement, available for the highest accomplishment), B (average, awarded for satisfactory performance), C (minimally passing), D (unacceptable for graduate credit, course must be repeated), F (failing).

*Table 1. Your course grade will be based on the following weighted components*

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class Preparation</td>
<td>20%</td>
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<tr>
<td>Exam 1</td>
<td>20%</td>
</tr>
<tr>
<td>Oral Presentation/Industry Report</td>
<td>15%</td>
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<tr>
<td>Firm Analysis</td>
<td>5%</td>
</tr>
<tr>
<td>Exam 2</td>
<td>40%</td>
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**Exams and Exam Policies.** Exams are generally closed book. Exam questions run the mix from multiple-choice, short answer and short problem. The final exam is generally open-book and open notes. For the midterm I generally provide either a formula sheet or allow students to bring in their own crib sheets (a/k/a cheat sheet).

**Cases:** As found on blackboard before/after class and book cases as assigned.

**Homework.** This class is homework intensive and numerous out of class assignments are assigned.

**Participation.** All students are expected to participate during each lecture. Participation is measured based on quality NOT quantity.

**Grade of Incomplete.** A grade of Incomplete (I) indicates that a portion of required coursework has not been completed and evaluated in the prescribed time period due to unforeseen, but fully justified, reasons and that there is still a possibility of earning credit. It is your responsibility to bring pertinent information to the instructor and to reach agreement on the means by which the remaining course requirements will be satisfied. The conditions for removal of the Incomplete shall be reduced to writing by the instructor and given to you with a copy placed on file with the department chair until the Incomplete is removed or the time limit for removal has passed. A final grade is assigned when the work agreed upon has been completed and evaluated. An Incomplete shall not be assigned when the only way you could make up the work would be to attend a major portion of the class when it is next offered. Contract forms for Incomplete grades are available at the Office of the Registrar website
## Tentative Course Schedule

Table 2. The course schedule, including topics and class activities listed by week, is presented in the following table.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topics</th>
<th>Reading Activities</th>
<th>Assignments Due for Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: January 22</td>
<td>Introduction to Course: What is Financial Statement Analysis</td>
<td>Various in class drills and assignments</td>
<td>See Blackboard for any handouts that need to be printed for this session.</td>
</tr>
</tbody>
</table>
| 2: January 29         | Letter to Shareholders and Preliminary Analysis of Starbucks           | Read Chapter 1 (VERY CAREFULLY) Answer the following questions regarding Starbucks Integrated Case:  
**Read pages 69-73 carefully**  
1. What type of a business is Starbucks?  
2. Are they a growth company, a mature company, a start-up or a company nearing bankruptcy?  
3. How have they grown in the past few years?  
4. What is the CEO’s message to shareholders?  
5. What data is given in support of this message?  
6. How would you analyze (moving forward) if Starbucks is successful in its new strategy? | Preparation Hand-in #1: Answer the following questions and bring them to class in hardcopy form (keep a copy for your review and to take notes on during class):  
Preparation Hand-in #2: Bring in one article from the financial press or from an analyst about Starbucks that was published within the past 6 months. Be prepared to discuss this article. Hint: Use lexus/nexus online resource from the library resources to search for press releases.  
Preparation Hand-in #3: Case 1.1 (Starbucks): questions a) and b) only. Note the questions are on page 73. |
| 3: February 5         | Tools 1 and 2: Common Size Statements and Percentage Changes            | Read: Revview Chapter 1: pp. 42-49  
In class: We will do problem 1.12 | Preparation Hand-in #1: Bring in common size and percentage balance sheets and income statements for Starbucks from the 10-K provided in the links above. Be prepared to put yours on the class computer. How has the company changed since 2005? (See exhibits 1.27 and 1.28 in your textbook).  
Preparation Hand-in #2: Case 1.1 (Starbucks): questions c) thru k) only. Note the questions are on pp 73-75. |
| 4: February 12        | Tool 3: Statement of Cash Flows Indirect Method                         | Read Chapter 3  
Read Chapter 3: 172-201 | Preparation Hand-in #1: Problems 3.9, 3.10, 3.11 |
Read Chapter 3: 162-172  
In class: we will go over Starbucks’ SCF, Coca-Cola (3.15), XM Satellite (3.19), Sunbeam (3.20), and Montgomery Ward (3.21) | Preparation Hand-in #1: Case 3.3 (PowerModule™ W.T. Grant): Page 222-225 *See Blackboard for help on how to do this case. |
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<th>Week</th>
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<th>Reading Activities</th>
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<tbody>
<tr>
<td>6: February 26</td>
<td>Tool 4: Profitability Analysis - Using ROA and ROCE</td>
<td>ROA and its Components Read: Chapter 4 (through 260) In class: we will go over QEs: 4.11, 4.13, and 4.15. Please calculate these ratios prior to class (not a hand-in).</td>
<td>Preparation Hand-in #1: Problem 4.14. After class, I will post the answers on blackboard. I will assume for these two classes that you can do the computations to derive the components.</td>
</tr>
<tr>
<td>7: March 5</td>
<td>Tool 4: Profitability Analysis - Using ROA and ROCE</td>
<td>ROCE and relating ROA to ROCE Read: Chapter 4: pp. 261-264; 265-298 In class: we will go over problem 4.20 (parts b-f only). Please calculate the ROCE for this firm. We will also relate the ROA to the ROCE for Starbucks</td>
<td>Preparation Hand-in #1: problem 4.11 and 4-16. After class, I will post the answers on blackboard. I will assume that you can do the computations to derive the components.</td>
</tr>
<tr>
<td>8: March 12</td>
<td>EXAM 1</td>
<td>EXAM 1</td>
<td>EXAM 1: Chapters 1, 3, 4 and 5 *up to whatever we covered through March 5, 2015)</td>
</tr>
<tr>
<td>9: March 19</td>
<td>Tool 5: Risk Analysis – Using Ratios and Comparisons Among Statements</td>
<td>Read: Chapter 5</td>
<td>Preparation Hand-in #1: Problems 4.24 and 5.13 (They both relate to Abercrombie and Fitch). In particular, relate the risk implied in the ROCE to the risk for A&amp;F.</td>
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<td>10: March 26</td>
<td>USING BLOOMBERG/Time Permitting and/or financial statement reconstruction**MAY MOVE APRIL 9th lecture here.</td>
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<td>Preparation Hand-In #2: Case 4.2 (Wal-Mart- Parts A &amp; B)</td>
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<td>11: April 9</td>
<td>Accounting Quality</td>
<td>Read Chapter 6 *1 Group Presentation In class: 6-6 and 6-7</td>
<td>Preparation Hand-in #1: Problem 6-2 and 6-17 and 6-18</td>
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<tr>
<td>12: April 16</td>
<td>Financing Activities</td>
<td>Read Chapter 7 *1 Group Presentation In class: 7-20</td>
<td>Preparation Hand-In #1: Problems 7-10, 7-11 and 7-18</td>
</tr>
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<td>13: April 23</td>
<td>Investing Activities</td>
<td>Read Chapter 8 *2 Group Presentations In class: 8-16 and 8-17</td>
<td>Preparation Hand-In #1: Problems 8-14 and 8-15 and 8-19</td>
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<td>14: April 30</td>
<td>Operating Activities</td>
<td>Read Chapter 9 *3 Group Presentations In class: 9-20 (time permitting)</td>
<td>Preparation Hand-In #1: Problems 9-7 and 9-8 and 9-10 and 9-11 and 9-20</td>
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<tr>
<td>15: May 7</td>
<td>Exam 2</td>
<td>Exam 2</td>
<td>TBD</td>
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<tr>
<td>16: May 14</td>
<td>Project and Exam Review</td>
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You are expected to check your email and the Blackboard site for any changes. If you are not in class when changes to the course or schedule are made, you are still responsible for new/updated material. Changes can be made any time at the discretion of the instructor.