

THE UNIVERSITY OF TEXAS AT AUSTIN
Accounting 380K.7
Financial Statement Analysis
Summer 2009

<u>Unique #:</u>	<u>Days & Class Time</u>	<u>Location</u>
71020	MTWTHF 11:30 – 1:00pm	GSB 2.122
Professor:	Florence Atiase	
Office:	CBA 2.218	
Office Hours:	TTH 1:30 – 2:30pm,	
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Teaching

Assistant: **Jeremy Myers**

Office:

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Course

Objectives

- To learn how to apply analytical tools and techniques to general purpose financial statements and related data to derive estimates and make inferences useful in business decisions

Course Structure: The course is organized into three parts:

- **Part One: Overview of Financial Statement Analysis.** This section emphasizes understanding business activities – planning, financing, investing and operating. It describes strategies underlying business activities and their effect on the financial statements, and it discusses the objectives of analysis. Important tools and techniques in analyzing and interpreting financial statements are illustrated.
- **Part Two: Accounting Analysis.** This section describes the accounting measurement and reporting practices underlying financial statements. Presentation is organized around financing (liabilities and equity), investing (assets), and operating (income and cash flow) activities
- **Part Three: Financial Analysis.** In this section, the processes and methods of financial statement analysis are examined. The objectives of users and the analytical tools and techniques for meeting those objectives are emphasized. This section demonstrates how analysis tools and techniques enhance users’ decisions – including company valuation and lending decisions. It also shows how financial statement analysis reduces uncertainty and strengthens confidence in making timely business decisions.

Required Materials

“Financial Statement Analysis”, by Wild, Subramanyam and Halsey. McGraw Hill Irwin, 10th ed.)

Regular Reading of *The Wall Street Journal*, *Forbes*, *Business Week*, *Fortune* etc.

COURSE PACKET: This is available at Speedway Copy and Printing, Dobie Mall. This packet contains: Additional Readings.

Answers to homework assignments will be posted on Blackboard

Grades

Your course grade will be based on 5 quizzes, 2 exams and a project. The exams will consist of both multiple-choice and computational questions. No make-up exams will be given.

Exam 1	30%
Exam 2	30%
Quizzes	20%
Group Project	<u>20%</u>
	<u>100%</u>

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Day	Date	Chapter	Topic	Homework Assignment	Quiz
TH	June 4	Ch 1	Overview of Financial Statement Analysis		
F	June 5	Ch 1 contd. Additional reading: "Strategy Analysis"(Course Packet)	Business Analysis Financial Statements:	P1-5 P1-7	
M	June 8	Ch 1 contd. Additional reading: "Financial Reform: Relevance and Reality in Financial Reporting" (Course Packet)	Financial Statement Analysis Techniques Fundamental Valuation Models	P1-9, P1-12 C1-2	
T	June 9	Ch 2 Additional Reading: "Priorities and Concerns at the SEC" (Course Packet)	Financial Reporting and Analysis Reporting Environment Introduction to Accounting Analysis Analysis Implication of Accrual Accounting Earnings Quality Auditing and Financial Statement Analysis (App A) Earnings Quality (App B)	P2-7 P2-17 C2-1	#1
W	June 10	Ch 3	Analyzing Financing Activities Liabilities Off Balance sheet financing arrangements Leases	P3-3 P3-6	
TH	June 11	Ch 3 contd.	Pensions	E3-1, E3-8, P3-6, C3-2 C3-4	
F	June 12	Ch 3 contd.	Contingencies and Commitments Stockholders' Equity		

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Day	Date	Chapter	Topic	Homework Assignment	Quiz
M	June 15	Ch 4	Analyzing Investing Activities Current Assets		
T	June 16	Ch 4 contd.	Long-lived Assets and Intangibles	E4--9, E4-11 P4-3. P4--7 C4--3	#2
W	Jun 17	Ch 5	Analyzing Investing Activities: Investment Securities Inter-corporate Investments (Equity method) Business Combinations (Purchase Method)	P5-1 P5-2 P5-3 C5-1 (Purchase method only)	
TH	June 18	Ch 6	Analyzing Operating Activities Income Measurement Operating vs. Non-Operating Recurring vs. Non-recurring Items Revenue Recognition	P6-2, P6-4, C6-2 C6-4	#3
F	June 19	Ch 6 contd.	Deferred Charges Employee Benefits (Stock Options)		
M	June 22	Ch 6 contd.	Interest and Taxes Earnings per share		
T	June 23	Catch Up and Review			
W	June 24	Exam 1			
TH	June 25	Ch 7	Cash Flow Analysis Statement of Cash flows Cash flows and Accruals Business Conditions Free Cash Flow	E7-4 E7-6 P7-4 P7-10 C7-1	
F	June 26	Ch 7 contd.			

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Day	Date	Chapter	Topic	Homework Assignment	Quiz
M	June 29	Ch 8	Return on Invested Capital Composition & Analysis of ROIC & ROCE Profitability Analysis Analyzing Profitability Revenues, COGS & Expenses Group Presentations	E8-2 E8-3 E8-7 C8-3	#4
T	June 30	Ch 9	Prospective Analysis Projection Process Short-term Forecasting (Appendix 9A)	E9-2 E9-3 P9-3 C9-3	
W	July 1	Ch 10	Credit Analysis Liquidity & Working Capital Capital Structure & Solvency Rating Debt (Appendix 10A) Predicting Financial Distress (Appendix 10B)	E10-1 E10-2, E10-4 E10-6, P10-4 P10-6	#5
TH	July 2	Ch 11	Equity Analysis and Valuation Determinants of Earnings Persistence	E11-5, P11-3	
F	July 3	Synthesis	Comprehensive Case	ECC-2 PCC-1	
M	July 6	Exam 2			
T	July 7		Group Presentations		
W	July 8		Group Presentations		
TH	July 9		Group Presentations		