

**Financial Statement Analysis**  
**University of Texas at Austin**  
**ACC 380K.7 – Summer 2009**  
**J. William Kamas**

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**Office Hours:** Monday 11:00-Noon  
**Web Site:** Blackboard (syllabus, assignments, class lecture notes)

Teaching Assistant:  
 TA Office/Hours: NA

**Required Material:** Financial Reporting & Analysis Fourth Edition Revsine, Collins, Johnson  
 2 Case Studies <http://cb.hbsp.harvard.edu/cb/access/4219363> (\$7.90)  
 Homework Solutions & Class Notes: Available on Blackboard

**Other:** <http://www.lib.utexas.edu/subject/business/handouts/index.html>  
 (Select Tab: Financial Statement Analysis)

<b>Class:</b>	<b><u>Unique #</u></b>	<b><u>Class Time</u></b>	<b><u>Location</u></b>
	71220	8:30 - 11:00 am	GSB 2.122

**Course Objectives:**

This course has many objectives. A few key objectives are as follows:

- 1) Encourage you to think in a new and more creative way when analyzing or forecasting financial information.
- 2) Introduce new tools common to financial statement analysis and how to use them in practical applications.
- 3) Understand how financial statement information can help solve business problems.
- 4) Increase your ability to read and understand financial statements and related information. Enhance your knowledge of accounting.
- 5) Practice communicating decisions/ideas both through oral and written communication.

**Textbook/Course Layout:**

Common reasons for performing financial statement analysis include valuing new and ongoing businesses, extending credit, assessing performance or possible risk, and estimating future performance. This course provides a framework for this type of analysis. The steps in this framework include:

<b>Step</b>	<b>Purpose</b>
A. Accounting Analysis	Do numbers capture the true condition of the company?
B. Business Strategy Analysis	Assess fundamental business model, strategy, and industry.
C. Profitability and Risk Analysis	Assess profit potential and potential risks.
D. Forecasting & Valuation Analysis	What is the firm's future profitability and value?

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### ***Class Routine:***

We will meet three times per week. The class format will consist of both lecture and class participation. Please be prepared for each class by completing the reading and homework assignments for that day. Your learning experience will be materially enhanced if you participate in class by asking questions, volunteering information, and responding to requests for discussion. I have attached a tentative schedule of class meetings and homework assignments. **Periodically this schedule may need to be revised to match the actual pace of the class.** I will post any revisions on blackboard and announce the changes in class.

### ***Evaluation:***

Grades for the course will be determined based on the following:

<u>Item</u>	<u>Percent</u>
Exam 1	25%
Exam 2	25%
Special Project	25%
Quizzes/Take Home Assignments	<u>25%</u>
Total	100%

Your course grade will be based on a max of 6 quizzes/take home assignments, 2 exams, & 1 special project. There will be no opportunity to raise your grade by doing "extra credit" work during or after the semester.

### ***Exams:***

Exams will cover the material discussed in class and included in the assigned reading, notes and homework. Make-up exams will not be given except for valid and documented medical or family emergencies and university recognized religious holidays. If you do not have a valid reason for missing an exam, you will receive a grade of zero on that exam. Only basic (**non programmable – no memory**) calculators are acceptable for the first exam and all quizzes.

### ***Quizzes/Take Home Assignments:***

A mixture of in class quizzes and take home assignments will be given during the semester. In class quizzes will be announced in advance (minimum 1 class period). You may drop your lowest in class quiz. **Make-up quizzes will not be allowed except for university recognized religious holidays.** Take home assignments may carry a larger grade weight and can not be dropped.

### ***Special Project:***

Details of the special project (group assignment) will be handed out early in the semester. Points will be achieved from written material, a group presentation, and participation. Groups will be developed in the first few weeks of the semester. Grading will be based on a curve.

### ***Class Participation:***

While class participation will not be a component of your overall grade you are highly encouraged to contribute to the daily lectures through questions, comments, providing topical and current news stories/articles, and answering questions. At my discretion, students that I feel have participated over and above others in the class can receive up to 2 points per class period (added to your exam 1 or 2 score). I will also "cold call" students to ensure everyone participates.

### ***No Notebook Policy:***

In order to encourage participation and discourage distractions notebook computers must be turned off during class.

### ***Class Protocol:***

- If you are running late, do not feel you should skip class. Coming in late is better than not at all.
- If you must leave class early, please tell me before class starts (including days we have a quiz).

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\*\* Work all parts of the problem unless noted to the contrary \*\*

<b>Class Meeting</b>	<b>Date</b>	<b>Topic</b>	<b>Reading Assignment</b>	<b>Homework</b>
1	Mon 7.13	Class Introduction & FSA Overview		
2	Wed 7.15	Income Statement & Income Determination Accounting Analysis Overview  Additional Topics in Income Including Earnings Quality	Ch. 2  <u>Ch. 2 Appendix</u>  Ch. 3: 140-142 & 146-150 only	E2.13, E2.14, E2.18, E2.19   E3.19, P3.13, C3.5
3	Fri 7.17	The Balance Sheet & Receivables  Inventory	<u>Ch. 4: 181-196</u> Ch. 8  Ch. 9 & Ch 9 Appendix B	E8.9, E8.11, E8.13 P8.3(r1), P8.6, P8.12, P8.13  E9.8, E9.12, E19.13 P9.7, P9.8 C9-2
4	Mon 7.20	Long Lived Assets  Liabilities	Ch. 10  Ch. 11	E10.7, E10.19 P10.6, P10.7, P10.9 C10-1  P11.1, P11.5, P11.11, P11.13, P11.19, C11.3
5	Wed 7.22	Liabilities & Leases	Ch. 12 & Ch. 12 Appendix	E12.11, E12.13, E12.14 P12.1, P12.8, P12.15
6	Fri 7.24	Deferred Income Taxes & Income Tax Expense  Owners Equity	Ch. 13  Chapter 15 (873-896, 905-913)	E13.4, E13.6, E13.13, E13.17, E13.19 P13.2  E15.4, E15.7, E15.10, E15.13 E15.14 P15.4, P15.7
7	Mon 7.27	Exam 1		
8	Wed 7.29	Business Strategy Analysis	Porter Case Study (A)	
9	Fri 7.31	TBD	TBD	
10	Mon 8.3	Statement of Cash Flows	Ch. 4: 196-207 Ch. 17	E17.2, E17.4, E17.8, E17.10 P17.6
11	Wed 8.5	Profitability & Cash Flow Analysis	Ch. 5 & Appendix Ch 7: 378-384	P5.2, P5.3, P5.4, P5.6 P5.11, P5.17, C5.2

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<b>12</b>	<b>Fri 8.7</b>	<b>Risk Analysis</b>	<b>Ch. 5 &amp; Appendix Ch. 7: 361-371</b>	<b>P7.9</b>
<b>13</b>	<b>Mon 8.10</b>	<b>Forecasting/ Pro-Forma Statements</b>	<b>Appendix B in Ch. 6 (337-343 Only)</b>	
<b>14</b>	<b>Wed 8.12</b>	<b>Review Group Project</b>		
<b>15</b>	<b>Fri 8.14</b>	<b>Exam 2</b>		

(A)Purchase case studies directly from Harvard Business Online:  
<http://cb.hbsp.harvard.edu/cb/access/4219363> (\$7.90 total cost)

***EXCLUDED MATERIAL:***

The following material is excluded from reading.

IF AN APPENDIX IS NOT LISTED ABOVE IT IS NOT ASSIGNED

Chapter 8

421-424      IMPUTED INTEREST ON TRADE NOTES RECEIVABLE  
436-444      TROUBLED DEBT RESTRUCTURING

Chapter 9

476-480      ABSORPTION COSTING  
492-493      INFLATION AND LIFO RESERVES

Chapter 10

566            OBLIGATIONS ARISING FROM RETIRING LONG LIVED ASSETS  
577-580      EXCHANGES OF NONMONETARY ASSETS

Chapter 11

632-649      HEDGES

Chapter 12

699-708      LESSOR ACCOUNTING  
709            SALE AND LEASEBACK

Chapter 13

762-769      MEASURING AND REPORTING UNCERTAIN TAX POSITIONS  
774-777      USING INCOME TAX FOOTNOTES TO ASSESS THE DEGREE OF CONSERVATISM...

Chapter 15

896-905

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#### **Honor Code:**

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

#### **Electronic Class Rosters:**

A recent opinion from the US Department of Education states that the University must inform students in advance if their name will be appearing on an electronic class roster: Since Fall 2001, web-based, password-protected class sites have been available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class email rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi00-01/app/appc09.html>

#### **Disabilities:**

The University has requested that I include the following information in this syllabus:

*The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.*

#### **Plus/Minus Grading:**

Beginning in the Fall 2005 semester the University instituted plus/minus grading for graduate students. Department of Accounting policy requires that a grading scale including pluses and minuses be used for all graduate Accounting classes. University policy continues to prohibit use of plus/minus grading for undergraduate students. Department of Accounting policy requires that grades for undergraduate students enrolled in graduate Accounting classes be determined by dropping the plus or minus (if any) from their letter grade.