

ACCT 6344
Financial Statement Analysis
Section: ACCT6344.501.12F
Course Syllabus

Course Information:

ACCT 6344: Financial Statement Analysis
Class level: Graduate
Class credits: 3 credits

Section: ACCT 6344.501.12F
Class number: 83770
Instructor mode: Face to face

Faculty Contact Information:

Instructor: John Copley, CPA
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Office hours: By appointment

Class time: Tuesdays, 7-9:45pm
Location: JSOM 1.117

Course Pre-requisites, Co-requisites, and/or Other Restrictions:

AIM 6201 or equivalent

Course Description:

The primary objective of ACCT 6344 is to facilitate the student's ability to critically analyze financial information for use in evaluation and decision processes using financial statements and related disclosures. In addition, the course is intended to enhance the student's ability to qualitatively and quantitatively assess the quality of financial information using professional skepticism, including consideration of earnings manipulation and financial reporting fraud. The course will provide the student with skills and common financial measures and ratios to extract relevant information from financial statements to evaluate underlying business activities and strategy, assess operating performance and to provide a basis for understanding valuation of a business entity.

Student Learning Objectives/Outcomes:

In this course, the student will learn methods by which to:

1. Integrate industry and business strategy analyses into financial statement analysis.
2. Critically assess the quality of the financial statements and disclosures and make "adjustments" as needed to various financial statement items to enhance comparability and transparency.
3. Identify "red flags" associated with financial statement manipulation and financial statement fraud.

4. Use financial ratios and trends to draw inferences about risk and profitability.
5. Develop expectations about a firm's future operating, financing and investing activities and use these expectations in evaluating forecasted financial results.
6. Assess enterprise value based on common valuation models and techniques.

Required Textbooks and Materials:

Financial Statement Analysis & Valuation; **Third Edition**; Easton, McAnally, Fairfield, Zhang;
Cambridge Business Publishers [Third Edition required]

Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports;
Third Edition; Schilit and Perler: McGraw Hill

Suggested Course Materials:

Class readings and assignments will be announced on Elearning and during class.

Assignments & Academic Calendar

Date	Topics/Lecture	Reading	Assignment
August 28	Introduction; Administrative; Framework for analysis and valuation; Overview of business activities	Easton mod. 1,2 Schilit ch. 1,2	Easton mod. 1,2 problems
September 4	Cash flows; Trend analysis	Easton mod. 2 Schilit ch. 10-13	Easton mod. 2 problems
September 11	Profitability analysis and interpretation	Easton mod. 3 Schilit ch. 5-9	Project companies' selection; Easton mod. 3 problems
September 18	Credit risk analysis and interpretation	Easton mod. 4	Easton mod. 4 problems
September 25	Revenue recognition and operating income	Easton mod. 5 Schilit ch. 3,4	Easton mod. 5 problems
October 2	Asset recognition and operating assets	Easton mod. 6 Schilit ch. 14-16	Project trend analysis; Easton mod. 6 problems
October 9	Test 1		
October 16	Liability recognition and nonowner financing	Easton mod. 7	Easton mod. 7 problems
October 23	Equity recognition and owner financing	Easton mod. 8	Easton mod. 8 problems

October 30	Intercompany entities	Easton mod. 9	Easton mod. 9 problems
November 6	Off balance sheet financing	Easton mod. 10	Easton mod. 10 problems
November 13	Test 2		
November 20	Fall Break		
November 27	Forecasting financial statements	Easton mod. 11	Project presentations begin; Easton mod. 11 problems
December 4	Cost of capital and valuation basics; Cash flow based valuation	Easton mod. 12, 13	Project presentations; Easton mod. 12, 13 problems
December 11	Operating income based valuation; Market based valuation; Review	Easton mod. 14, 15	Project presentations; Easton mod. 14, 15 problems
December 18	Final Examination		

Working groups of four students will select two public companies for their project, subject to lecturer approval, which will encompass detailed trend and ratio analysis, qualitative and quantitative interpretation, adjustment of data to maximize comparability and presentation of results and findings to the class during one of each of the three final class sessions.

In addition, each student will conduct a maximum 5 minute presentation on a topic of current financial reporting interest or historical matter of financial reporting relevance.

Grading Policy:

Test 1	20%
Test 2	20
Final exam	20
Project	20
Presentation	10
Participation and attendance	10
Total	100%

Course grades will be determined relatively among all students based upon the weights identified in the table below with an expectation of a grade distribution commensurate with a postgraduate level course. Tests and final examination will comprise a variety of multiple choice, short problems and open ended questions and will be weighted to the latter. If you cannot attend class on the evening on which a test is scheduled, please notify me in advance. At my discretion, a make- up test, supplemental project or reallocation of the other components of your course grade will be substituted for the missed test. In case of a question or disagreement about a test or project score, you may submit an appeal within one week from the date of grade posting. The appeal must include the original paper with a written description and rationale of your position.

Under this process I may choose to review any part of your test or project in addition to the appealed item, and it is possible your grade may ultimately increase or decrease.

Course & Instructor Policies:

Each student is expected to conduct themselves in a manner appropriate to a postgraduate learner. Each student is expected to come to class prepared, having completed the assigned readings, projects and/or problems in advance of class opening. I will call upon students at random. Participation includes making insightful comments and observations pertinent to issues raised in class and/or by asking questions to help clarify your classmates' comprehension. Due to overall class considerations, I may ask you to allow me to defer answering your question to after class, during breaks or during an office appointment.

Please arrive on time and be respectful of your colleagues.

If you miss a class, you are responsible to obtain notes and other information from a classmate.

Group Project:

Select two peer public companies within the same industry other than financial services (e.g., Wal-Mart and Sears but not a bank). Although not mandatory, you may wish to target peer companies operating in a single operating/market segment to allow maximum comparability. Obtain the most current annual report and financial statements and proxy statement (available through EDGAR, Capital IQ or through the investor relations section of most public company websites). In addition, you will need to obtain the quarterly financial information filings (Form 10-Q) for each of the quarters for the past three years covered in the annual report.

Section 1: Analyze and compare the operating business models, strategies and competition.

Section 2: Complete vertical and horizontal trend analyses of each company for the trailing 12 quarters (generally quarter four of each annual period must be mathematically derived). Identify and discuss unusual matters or trends identified in the analysis.

Section 3: Calculate key financial ratios by quarter and companies' performance and condition for the three year period. Explain trends and variations between the companies.

Section 4: Using the valuation techniques from your textbook, identify the valuation multiples of each company. Explain the basis for the market valuation of each company and what factors may affect its valuation. Compare market cap to other valuation techniques you apply to the companies.

Section 5: Provide a critique of the two companies and express a view as to which company would provide a better investment.

Prepare a written report (detail to be provided) and a class presentation (length to be determined).

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.