

**Accounting 311 01E**  
**Financial Statement Analysis for Global Entrepreneurs**  
**Fall 2015**

Professor: Dr. Heslop  
E-Mail: Gordon.Heslop@tamuc.edu

Office: 115 McDowell  
Telephone: (903) 886-5259

**Text: UNDERSTANDING FINANCIAL STATEMENTS**

<b>Author</b>	FRASER
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	9
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Fraser, Lyn, M., Ormiston, Aileen. 11<sup>th</sup> Edition. *Understanding Financial Statements*. Pearson

Financial Calculator: Any type is acceptable.

**Office Hours:** Tue./Thur. 2:00-4:30

**Course Description:** This course is designed to provide an overview of financial statement analysis with a focus on global entrepreneurship. It presents a framework for analyzing business opportunities and risks through the use of financial statement analysis, ratio analysis, and trend analysis and valuation methods. Prerequisite ACCT. 222 and a minimum of 55-semester hours credit.

**Course Objectives:** Your achievement level for each objective will be measured by your success in completing the homework, quizzes and examinations. The successful student, upon completion of this course, will be expected to have achieved the following as a result of this course:

- ☐ Understand financial statements, both from a historical viewpoint and the relationship between the Income Statement, the Balance Sheet and the Statement of Cash Flows.
- ☐ Be able to analyze financial statements and identify the strengths and weaknesses of firms using the techniques such as ratio analysis, common size analysis and cash flows.
- ☐ Understand and interpret the differences between US GAAP and International Financial Reporting Standards (IFRS) financial statements.
- ☐ Exposure to the global entrepreneurship financial environment.

## **Grading Policy**

Grades will be based upon the following items:

Case Discussion & Participation	20%
First Exam	20%
Second Exam	20%
Group Project	40%

Grades for the course will be determined by applying the following ranges:

Range	Grade
90-100	A
80-89	B
70-79	C
60-69	D
Below 60	F

The above point spreads are guaranteed grades. In other words, if you score in a particular range you are guaranteed at least that grade. The instructor reserves the right to lower the range for a particular grade, at his discretion. **Cheating will not be tolerated. Anyone caught cheating will receive zero on that test or quiz and will be subject to academic sanction.**

### **Assignments:**

Reading assignments will be one chapter every two weeks. Homework will be assigned after every unit so that you may reinforce the concepts learned so please attempt the problems. The solutions are located in the back of the book in Appendix B. I will also provide solutions for those assignments not included in the Appendix section. Although not all assignments will be graded they will help you to study for the exams as well as assist you in answering the questions for the discussion on the cases as we cover in each Unit. If you have difficulty with a problem, please email me or make an appointment to receive help. Completing the problems will be beneficial to helping you prepare for examinations. The homework assignments are not required to be turned in, unless specified by the Professor at the beginning of the Unit.

### **Examinations:**

Two exams will be given during the semester. The exams will cover specific chapters as we cover the material during the semester. The exams will require working out problems or analyzing a case like those assigned as homework as well as multiple questions related to concepts and terminology. There are **no** make-ups for the two exams.

### **Group Project:**

You will be required to complete a group project and submit a written report. The project will be completed throughout the semester as we cover the material with a different

section of the project being submitted during each Unit. All group members are expected to participate equally in the project work and will be required to turn in team evaluations. **Only one member of each group should submit the section of the project that is due every two weeks with a cover sheet attached indicating the name of the company and the members of the group.** I will return the submitted report to the member of that group, and it will be that member's responsibility to distribute the feedback to each member of the group.

To complete this project you will work in groups of 3-4 students depending upon the size of the class (I will assign the members of the group early in the semester). All students are equally responsible for the work that is turned in and an evaluation form will be filled out by each team member at the end of the semester rating each group member's efforts. Each group may select the industry and companies they wish to analyze, so long as that industry/company has not already been selected by another group and must be approved by the instructor. Be sure to select a publicly traded U.S. company that has a global perspective, along with two identifiable comparable firms. The industry and the companies chosen must be approved by the professor before initiating the project.

This project will require you to make use of numerous outside resources, including company web pages, annual reports, analyst reports, etc. Be sure to appropriately cite relevant resources. You must cite any information or idea that is not yours that you are using in your project.

#### Data

The time period for the financial statement analysis should include three years beginning with the most recent year. You will obtain information for 3 companies (the main company you choose to analyze, and the other 2 companies you will use as an industry comparison). In addition to the financial statements and other material in the annual 10-K reports, you should review relevant materials from outside sources such as newspapers, periodicals, and investment resources.

#### Outline

The following outline is provided for guidance, but the analysis should be adjusted, as appropriate, to conform to the individual characteristics of the firm. Each section encompasses providing the necessary information and calculations for all 3 companies being analyzed (the main company you have chosen and the other 2 chosen as a comparison). For example, if you are writing the section on the firm and industry, I expect a description for all 3 companies).

#### **Suggested Outline for the Financial Statement Analysis**

- I. Introduction (1% of final project grade)
  - A. Objective of paper
  - B. Summary of findings

- II. Firm, Industry, and Environment (5% of project grade)
  - A. Description of firm and its management
  - B. Discussion of competitive environment (Porter's 5 forces)
  - C. Economic climate and outlook
  - D. Other factors, e.g. governmental regulations, labor relations, litigation
- III. Balance Sheet Analysis (8% of project grade)
  - A. Common-size analysis
  - B. Horizontal analysis
- IV. Income Statement Analysis (8% of project grade)
  - A. Common-size Analysis
  - B. Horizontal Analysis
- V. Cash Flow Statement Analysis (8% of project grade)
  - A. Analyze the 3 sections of the cash flow statements as well as overall.
- VI. Ratio Calculation of Financial Statements (9% of project grade)
  - A. Liquidity Ratios
  - B. Asset Ratios
  - C. Leverage (debt) ratios
  - D. Profitability ratios
  - F. Market ratios
- VII. Summary and Conclusions (1% of project grade)
- VIII. Appendix (A list of all tables and figures)
- IX. Bibliography/References

### **Written Report**

The written report should be between twenty and forty pages in length however it can be longer, if necessary. It should include all the sections mentioned above in the outline. With the exception of Section I and VII, all the others will have been performed throughout the semester. The final group project will be submitted the last week of class and consist of all the sections combined into one paper along with Sections I and VII which should be prepared once your final calculations are completed. An unlimited number of attachments are allowed and will not be counted in the number of pages, however, you should include only those attachments that are relevant for the analysis and discussed in the text. The document should use a font size of 12 and one-inch margins. The summary page should give the reader a basic understanding of the firm, its past performance, its expected future performance, and the justification for your overall conclusion of the firm. This page should be able to stand alone as a summary of your analysis.

**Academic Honesty Policy:**

All students must follow and conform to the University policy on Academic Honesty. A copy of this will be sent to you and you must sign and return it to the dropbox.

***University Policies and Procedures:***

- ***Disability*** – The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

**Office of Student Disability Resources and Services**

**Texas A&M University – Commerce**

**Gee Library**

**Room 132**

**Phone (903) 886-5150 or (903) 886-5835**

**Fax (903) 468-8148**

[StudentDisabilityServices@tamuc.edu](mailto:StudentDisabilityServices@tamuc.edu)

- ***Student Conduct*** – “All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment.” (See Student’s Guide Handbook, Policies and Procedures, Conduct)
- ***Dropping or Withdrawal from the course*** – University policy will be followed in regards to all withdrawals during the semester. It is the student’s responsibility to conform with university rules relating to dropping or withdrawing from the course.
- ***Non-discrimination:*** A&M-Commerce will comply in the classroom, and in online courses, with all federal and state laws prohibiting discrimination and related retaliation on the basis of race, color, religion, sex, national origin, disability, age, genetic information or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

## **Class Schedule and Assignments**

### **ACCT. 311 – Fall 2015**

#### **Unit 1 Financial Statements (Sept 1-15)**

- ☐ Read Chapter 1 on Financial Statements (including Appendix 1A on the Sage Inc. Case)
- ☐ Answer the self-test questions at the end of the chapter
- ☐ Discussion: Case 1.4 Apple Inc, will be the topic of discussion for Unit 1.
- ☐ Group Project: Begin communicating with your group and choose 3 companies to analyze (a main company to analyze and 2 others to use as a means of comparison). Obtain approval for the companies you have chosen and begin downloading the Forms 10-K for the 3 most recent years for all 3 companies. Complete Part II of the outline for the 3 companies by **Sept 15**.

#### **Unit 2 Balance Sheet (Sept 17- Oct 6)**

- ☐ Read Chapter 2 Balance Sheet
- ☐ Answer the self-test questions at the end of the chapter.
- ☐ Discussion: Case 2.3 Logitech International.
- ☐ Group project: Perform common-size and horizontal analysis for the balance sheet for all 3 companies and submit a written report along with the calculations by **Oct 6**.

#### **Unit 3 Income Statement & Stockholder's Equity (Oct 8 – Oct 22)**

- ☐ Read Chapter 3 on the Income Statement and Statement of Stockholder's Equity (including Appendix 3A).
- ☐ Answer the self-test questions at the end of the Chapter
- ☐ Discussion: Case 3.4.
- ☐ Group Project: Perform common-size analysis and horizontal analysis on income statements for all 3 companies. Submit your calculations and a written report by **Oct 22**.
- ☐ **Exam 1 (Chapters 1-3) Oct 27.**

#### **Unit 4 Statement of Cash Flows (Nov 3 – Nov 17)**

- ☐ Read Chapter 4 on Statement of Cash Flows
- ☐ Answer the self-test questions at the end of the chapter, and any other additional homework assigned.
- ☐ Discussion: Case 4.3 Gerber Scientific
- ☐ Group Project: Perform an analysis on the 3 sections of the cash flow statement for all 3 companies and submit the cash flows and a written analysis by **Nov 17**.

#### **Unit 5 Ratio Analysis (Nov 19 - – Dec 10)**

- ☐ Read Chapter 5 on Financial Statement Analysis and ratio calculations.
- ☐ Answer the self-test questions at the end of the chapter.
- ☐ Discussion: Case 5.3 Spartech Corporation
- ☐ Group Project:

- o Calculate liquidity ratios and asset ratios for all 3 companies and submit the calculations along with a written report by **Nov 24**.
- o Calculate leverage ratios for the 3 companies and submit calculations and a written analysis by **Dec 1**.
- o Calculate Profitability ratios and Market ratios for the 3 companies and submit calculation and written report by **Dec 3**.
- o Combine all parts of the group project and incorporate part I, VII and VIII of the outline as well as any comments by the professor. Submit final group project by **Dec 8**.
- o **Exam II (Chapters 4-5) Tuesday, Dec 15, 10:30-12:30.**

Note: A list of ratios will be provided for each type of ratio when we cover Unit 5.

**Drop Date** **11/5**

**Withdrawal Date** **12/6**

**Course Issues:** Any student concerns relating to scores and grades **MUST** first be sent to the instructor, and a reasonable time – one week – be allowed for a response. If after receiving a response, the student is not satisfied, then, and only then, should the student address the issue with the Department Head. The same procedure should apply up the chain of responsibility.

**NOTE: THIS SYLLABUS IS SUBJECT TO CHANGE AS NEEDED TO MEET THE OBJECTIVES OF THE COURSE OR TO AID IN COURSE ADMINISTRATION AT THE DISCRETION OF THE INSTRUCTOR. IT IS NOT ANTICIPATED THAT THERE WILL BE ANY SUBSTANTITIVE CHANGES.**

### ACCT. 311 Course Objectives Rubric

<b>Criteria</b> (Course Objectives)	<b>1</b> (Unsatisfactory)	<b>2 (Emerging)</b>	<b>3 (Proficient)</b>	<b>4 (Exemplary)</b>
Demonstrate an understanding of the relationship between the income statement, balance sheet and cash flow statement.	Student cannot demonstrate an understanding of the financial statements.	Student can demonstrate an understanding of two financial statements.	Student can demonstrate an understanding of financial statements but not their relationships.	Student can identify all the financial statements and their relationships.
Analyze financial statements and identify strengths and weaknesses if firms using ratio analysis, common size and cash flows.	Student cannot analyze the financial statements using any of the methods.	Student can identify some of the ratios and use them in their analysis of the F/S.	Student can perform common size analysis and ratios analysis.	Student can performs all type of analysis on financial statements.
Demonstrate an understanding of the differences between US GAAP and IFRS.	Student cannot demonstrate an understanding of the differences between US GAAP and IFRS.	Student can identify two or less of the differences between US GAAP and IFRS.	Student can identify more than three differences between US GAAP and IFRS.	Student can identify most of the differences between US GAAP and IFRS.
Exposure to global entrepreneurship financial environment.	Student cannot identify nor demonstrate an understanding of the financial environment.	Students can identify one aspect of the 1 of the financial environment.	Students can identify a few of the financial aspects of the financial environment.	Students can identify and demonstrate an understanding of the majority of financial aspects of the financial environment.



### ACCT. 311 – Grading Rubric

	<b>Exceeds Standards</b>	<b>Meets Minimum Standards</b>	<b>Fails to Meet Standards</b>
<b>Case discussion/Participation (20%)</b> Participation in resolution of case discussion assignments, application of concepts learned.	Completed all case work assignments, was able to apply the proper concepts and formulas in order to resolve the problems.	Attempted the case work and partially resolved the problems, shows some understanding of the topics covered	No case discussion was submitted and/or did not participate in classroom discussions.
<b>Exams (20% each first and second exams) – total 40%</b> There are three exams, each covering specific chapters assigned. Grade will be based on correctness of answer as well as the process and formulas/concepts used to arrive at answer.	Answer was correct and student demonstrated knowledge of proper concepts/formulas in resolving the exercises.	Answer was correct however did not apply the proper concepts/formula sin resolving the exercise.	Fails to answer the problem correctly and shows minimal knowledge of subject matter.
<b>Group Project (40%)</b>			
	<b>Exceeds Standards</b>	<b>Meets Minimum Standards</b>	<b>Fails to Meet Standards</b>
<b>Effective written communication</b> Paper was prepared according to written instructions, followed APA format and proper use of punctuation and grammar. 3 points	Paper was clear and prepared according to the outline. Followed APA format, and had minimal grammatical mistakes.	Meets basic criteria of Outline and follows APA format. Has many grammatical mistakes.	Meets some of the basic criteria for the Outline, but fails to follow APA format. Has many grammatical mistakes and hard to read and understand.

<p><b>Analysis of Various Sections of Paper</b>  Use of financial concepts/ tools  – Uses concepts from each chapter to analyze the company chosen and its industry and competitors. – 35 points.</p>	<p>Prepares each of the sections as indicated in the outline and applies the proper financial analysis theories/concepts to the company analysis. Supporting calculations and explanations are included.</p>	<p>Prepares two of the four sections. Fails to demonstrate knowledge of, and/or capability to apply, financial concepts/financial analysis to the companies.</p>	<p>Prepares one or less of the four sections of the paper. Fails to demonstrate knowledge of, or capability to apply, theories &amp; tools needed to address most of the analysis required in the project.</p>
<p><b>Peer Evaluation</b>  All group members are expected to contribute to the group project. To this end, each group member will evaluate the contribution of their peers. – 2 points.</p>	<p>Was involved in all aspects of group project analysis.</p>	<p>Partially contributed to group project analysis</p>	<p>Did not contribute to written project analysis.</p>