



**BUSI 2506A**  
**Financial Statement Analysis**  
**Fall 2017**

**INSTRUCTOR:** Darrell Herauf, CPA, CA, CGA  
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Office Hours: Wed & Fri 14:30 to 16:00 and by appointment

**COURSE TIMES & LOCATION:**

Wednesday & Friday 13:05 – 14:25 Room to be announced

**CALENDAR DESCRIPTION:**

Analysis and interpretation of an entity's financial statements and annual report from a user perspective. Ratio analysis is used to analyze firm performance and make forecasts of future performance. Precludes additional credit for BUSI 2002.

**PREREQUISITES:**

BUSI 2504 with a grade of C or higher.

**The School of Business enforces all prerequisites.**

**COURSE DESCRIPTION:**

This course covers standards and methods used by financial and investment analysts and portfolio managers to evaluate financial statements in today's international and volatile markets. It is filled with information and strategies needed to examine the past and current performance and financial position of a company in order to form expectations and make recommendations about its future performance and financial position. It explores how to evaluate financial statement notes and supplementary information to better understand the risk and potential returns from investing in this company.

**LEARNING OUTCOMES:**

Students will be expected to demonstrate the following learning outcomes:

- Define the elements of financial statements and explain the basic principles supporting the recognition of these elements on the financial statements
- Understand the interrelationship between financial statement items

- Analyze and interpret the performance and financial stability of an organization using financial statement analysis tools and techniques
- Identify manipulation techniques that could be used to manage earnings
- Evaluate the usefulness and limitations of financial statement information
- Predict future performance based on sound reasoning and realistic assumptions

**DETAILED COURSE SCHEDULE:**

| <b>Dates</b>     | <b>Topic</b>   | <b>Chapter</b> |
|------------------|--|----------------|
| Sep. 6 & 8       | Introduction & Review of Financial Statements          | 4              |
| Sep. 13 & 15     | Financial Analysis Techniques                          | 7              |
| Sep. 20 & 22     | Inventories  | 8              |
| Sep. 27 & 29     | Long-Lived Assets                                      | 9              |
| Oct. 4 & 6       | Non-Current (Long Term) Liabilities                    | 10             |
| Oct. 11 & 13     | Financial Statement Analysis: Applications             | 12             |
| Oct. 16          | Midterm Exam (all chapters to date)                    |                |
| Oct. 18 & 20     | Financial Reporting Quality                            | 11&17          |
| Oct. 23 - 27     | Mid-term Break   |                |
| Nov. 1 & 3       | Intercorporate Investments                             | 15             |
| Nov. 8 & 10      | Income Taxes   | 13             |
| Nov. 15 & 17     | Integration of Financial Statement Analysis Techniques | 18             |
|                  | Introduction to Financial Statement Analysis Project   |                |
| Nov. 22 & 24     | Employee Compensation: Post-Employment & Share-Based   | 14             |
| Nov. 29 & Dec. 1 | Multinational Operations                               | 16             |
| Dec. 6           | Review   |                |

**While every attempt will be made to keep to the schedule listed above, unforeseen circumstances may necessitate modifications throughout the semester.**

## REQUIRED COURSE MATERIALS:

Required Textbook: Robinson, Henry, Pirie & Broihahn, International Financial Statement Analysis, Third Edition, Wiley, 2015

Available as e-text through Wiley.ca  
or in hard copy at Haven Books (Seneca and Sunnyside)

CPA Canada Handbook: Available on the Carleton library's online database

## GRADING:

|                                |             |
|--------------------------------|-------------|
| Contribution and participation | 10%         |
| Weekly online problems         | 10%         |
| Group project                  | 20%         |
| Midterm examination            | 25%         |
| Final examination              | <u>35%</u>  |
| Total                          | <u>100%</u> |

*Contribution and participation:* will be earned primarily through attendance and by answering multiple-choice questions in class. Inappropriate use of cell phones and other electronic device during class time will result in an absent on the attendance sheet and a cancellation of any mark for that class. There will be a bonus of up to two marks for exceptional contribution to classroom discussion and/or online use of CuLearn. Further details will be provided during the first class.

*Weekly online assignments:* MCQs will be answered on CuLearn on a weekly basis. The best ten weekly assignments will be used in determining the grade out of 10. The MCQs must be answered by 8:30 AM the Monday after the chapter was completed in class except for the chapter 12 assignment which must be answered by 8:30 AM on October 30. Detailed instructions will be posted to the course website.

*Group project:* Each group will complete an in-depth analysis of the financial statements of a Canadian public company. Based on their assessment of the expected future performance of the firm, the group will make a recommendation to lend or not lend money to this firm. The project is due at the beginning of class on December 6.

*Midterm examination:* There will be a midterm examination in class on Monday, October 16. The exams will be marked by the teaching assistant and will be handed back within 10 days following the date of the examination. Students will then have 10 calendar days to review their results and report any discrepancies to the professor. Any discrepancies reported beyond that time may be reviewed but will not result in any change in grade. Students can elect to transfer a weight of 10% from the midterm examination to the final examination by sending an email from his/her Carleton account to the professor on or before November 15, 2017.

*Final examination:* The final exam will be comprehensive in nature and will cover the whole course. It will be scheduled during the formal exam period.

*Midterm and final examinations:* The midterm and final exams will test both the technical and conceptual aspects of the course. Only non-programmable calculators (without alpha storage capabilities) will be permitted. Translation dictionaries are allowed as long as they are in print format and do not contain any handwritten notes. Electronic translation dictionaries are not allowed. All assigned readings, in-class handouts and material from lectures are examinable.

*Missed assignments and/or midterm examination:* If you must miss any of the assignments and/or the midterm exam due to a verifiable illness (or, in rare cases, some other circumstances beyond your control), the weight for that assignment/exam will be transferred to the final examination. If the assignment/exam is missed without a legitimate reason, a grade of zero will be given. A medical certificate or other verifiable documentation must be submitted to the instructor no later than five (5) calendar days after the date of the assignment/exam.

#### **COURSE WEBSITE:**

The instructor will make extensive use of the course Website to post course materials, grades and other announcements. The course Website is considered an integral part of the course. Any announcements made in the course Website will be considered to have been made in class. Students are encouraged to visit the course Website at least twice a week throughout the term. The URL for the course Website is [www.carleton.ca/culearn](http://www.carleton.ca/culearn). You need to use your MyCarleton userid and password to access this Website.

#### **SATISFACTORY IN-TERM PERFORMANCE:**

1. The criterion/criteria and the standard(s) for Satisfactory In-term Performance are as follow(s):
  - A minimum of 60% of the term work must be completed
  - A minimum average grade of 45% on the term work must be obtained
2. Unsatisfactory In-term Performance in this course will lead to:
  - Failure in this course

#### **EXAMINATION POLICY:**

University policy with respect to examinations will be strictly adhered to. Supplemental and grade rising examinations are not available. Notwithstanding the marking scheme, **if the mark on the final exam is less than 45%, the final grade for the course will be an F.**

## **PEDAGOGY:**

This course will use a combination of lectures and problem solving. The lectures will highlight the main points contained in the assigned readings and problem solving will help illustrate the application of learned techniques to various financial reporting issues.

### **Class Etiquette**

1. Late arrival should be an exception. When necessary, sit on the entering side; do not disturb the class.
2. Early departure should be an exception.
3. Early preparation for departure - please don't.
4. Talking with class as a whole or with no one.
5. Not using cellphones or electronic devices for non-class related activities.

### **How to do well in this course**

- Read the assigned material prior to each class and attempt to gain a basic understanding of the material
- Attend the classes and try to get a better understanding of the material by asking questions and working through the in-class questions along with the instructor
- After each class (and before the next class), review the material taken up in class and try to answer other MCQs to ensure you understand the material
- If there are points that you did not understand, see the TA or instructor or ask for clarification in the next class

## **COLLABORATION WITH OTHERS:**

Individuals/groups may collaborate with other individuals/groups to identify the issues and alternatives involved with a particular problem/case/project. However, the analysis, recommendations and final report/submission should be completed by each individual for individual work and by each group for group projects without discussing the analysis, recommendations and final report with other individuals/groups.

## **EMAILS:**

Emails from students on matters pertaining to this course should be sent from his/her Carleton email account. The instructor will normally respond to emails within 24 hours on weekdays and at least once on the weekend.

## ADDITIONAL INFORMATION

### Course Sharing Websites

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

### Group work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

|              |             |             |             |
|--------------|-------------|-------------|-------------|
| A+ = 90-100  | B+ = 77-79  | C+ = 67-69  | D+ = 57-59  |
| A = 85-89    | B = 73-76   | C = 63-66   | D = 53-56   |
| A - = 80-84  | B - = 70-72 | C - = 60-62 | D - = 50-52 |
| F = Below 50 |             |             |             |

Grades entered by Registrar:

WDN = Withdrawn from the course

DEF = Deferred

### Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

### Requests for Academic Accommodations

*For Students with Disabilities:*

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic

medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your *Letter of Accommodation* at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks will be reviewed on a case-by-case basis.** After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website ([www.carleton.ca/pmc](http://www.carleton.ca/pmc)) for the deadline to request accommodations for the formally-scheduled exam (*if applicable*).

*For Religious Obligations:*

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

*For Pregnancy:*

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

**Academic Integrity**

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst

others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <http://carleton.ca/studentaffairs/academic-integrity>.

### **Sprott Student Services**

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you are having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/learning-support/>

### **Centre for Student Academic Support**

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: [carleton.ca/csas](http://carleton.ca/csas).

### **Important Information:**

- Students must always retain a hard copy of all work that is submitted.
  - All final grades are subject to the Dean's approval.
  - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton CMail account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
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