

ACCT 5011
FINANCIAL STATEMENT ANALYSIS
COURSE OUTLINE
WINTER 2022

Instructor:	Alisher Mansurov, PhD
E-Mail:	Alisher.Mansurov@carleton.ca
Class Meeting:	Tuesday 8:35 - 11:25 a.m. (Nicol Building 4030)
Office hours:	By appointment (via email)

Learning Modality

In total, attending class for this course will require the following approximate time commitment (*excluding* readings and assignments): 18 hours in-person (i.e., remote attendance not possible)

Information for Remote Learners

This course will be delivered entirely in-person. Due to the pedagogy used, remote learning is not possible.

Course Description

This course takes a user-oriented approach to the study of financial statements. It introduces the role of the financial statements and disclosures in the financial reporting process. The focus is on the use of financial ratios and analytical methods to evaluate firm performance and make forecasts of future performance. The overall objective of the course is to develop students' knowledge and skills to be better able to assess firms' financial position, cash flows, earnings quality, and financial prospects.

Prerequisite(s): ACCT5002. **The School of Business enforces all prerequisites.**

Course Objectives

This course presents an overview of financial statement analysis (FSA) from a user perspective. The objective is for each student to become an informed and critical user of financial accounting information. This includes: 1. familiarizing students with financial statement analysis concepts and techniques; 2. addressing the role of financial accounting and financial statements in decision-making; and 3. introducing participants to current debates and challenges in financial reporting.

This course introduces a mix of practical tools and theoretical concepts used in FSA. FSA combines applied knowledge of business, accounting, governance, and finance to support decision making. FSA supports decision making in the following broad areas: investing, lending, and performance measurement. FSA can include both historical and future-oriented analysis. Financial statement ratios and other analytical tools will be introduced and applied in real-world corporate analyses. Accounting policy choices and their implications will be addressed. Current issues in financial accounting and corporate reporting will be discussed. In addition, we will emphasize the importance of supplementing FSA with critical thinking and contextual knowledge.

Course Approach

The teaching method uses a varied approach and focuses on active and co-operative learning by the student. The following approaches are used: in-class cases, corporate analyses, real-life examples,

readings, lectures, team work, research activities, and classroom discussions. This approach requires you to prepare in advance of each class, and it requires your active participation and involvement in class discussions and cases. The case discussions are designed to facilitate classroom interaction and learning through sharing and cooperation.

Recommended Texts

Financial Reporting & Analysis: Using Financial Accounting Information, South-Western Cengage Learning, 13th edition (May 10, 2012), by Charles H. Gibson

Financial Reporting and Analysis, McGraw-Hill, 8th edition (2021), by L. Revsine, D. Collins, B. Johnson, F. Mittelstaedt, and L. Soffer

International Financial Statement Analysis, John Wiley & Sons, 2nd edition (May 2012), by Thomas R. Robinson, Elaine Henry, Wendy L. Pirie, Michael A. Broihahn, and Anthony T. Cope

Financial Reporting, Financial Statement Analysis and Valuation, South-Western College Pub, 9th edition (September 2017), by James M. Wahlen, Stephen P. Baginski, and Mark Bradshaw

Grading Scheme

Course Deliverable	Weight on Final Grade	Due Date
Class Participation	10%	Weeks 1 - 6
Group Company Profiles	10%	Week 3
Group Financial Statement Exhibits	5%	Week 4
Group Cash Flow Analysis	5%	Week 5
Group Presentation	10%	Week 6
Group Financial Statement Report	20%	Week 6
Final Exam	40%	Tuesday, April 19
Total	100%	

Class Participation (10 percent)

The success of this course, for both students and professor, depends on active thoughtful participation by the members of the class during lectures and case discussions. Attendance is, of course, an integral part of class participation. The mark each student receives will reflect the quantity and quality of that student's contribution to the course. In addition to assessing attendance, and the professor's evaluation of class participation, students will also be asked to submit a self-assessment of their participation.

The grade awarded for class participation will be a composite of these factors. A self-assessment form is attached to this outline (Appendix 3) to facilitate documenting your class contributions in a consistent format. You are urged to update the self-assessment form on a weekly basis.

Note that attendance is a minimum prerequisite for participation. A student who attends class regularly, yet does not participate actively in class activities and discussions should expect a participation grade of no more than 6.0/10.

Group Project and its Component Parts (50 percent)

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. 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.

All group members will be required to complete a peer evaluation form at the end of the multi-part group project. See details in Appendix 4. Peer evaluations will be used in determining whether individual deviations from group grades are necessary.

Groups of four members will be formed by the professor prior to the first class. Each group will be assigned one major group project in this course. However, the project is broken down into smaller deliverables, each of which builds on the previous parts. There will be group presentations (10%) in class in Week 6.

Group Company Profiles (10%):

An overview of the two firms selected for analysis is to be submitted in Week 3. A brief history of the companies, their key products or services, their main competitors, and their future plans should all be addressed (see requirements in Appendix 1).

Group Common Size, Trend & Ratio Analyses (5%):

The quantitative common size, trend and ratio analyses required for the FSA project are to be handed in for grading and feedback. This will ensure all groups are progressing towards completion of the Industry Analysis project. Include investment ratios and provide ratios/components needed for Dupont analysis.

Group Cash Flow Analyses (5%):

Each group is to analyze recent cash flow statements for the companies selected for their FSA. See Appendix 2 for additional details. An evaluation matrix will be provided on CULearn for this project in advance of its due date.

Financial Statement Analysis Report (20%) & Group Presentation (10%):

The financial statement analysis is a major group project to be worked on throughout the course. The final written document must be submitted in Week 6. See Appendix 1 for details on the financial statement analysis project. Financial Statement Analysis projects are to be presented to the class in Week 6. An evaluation matrix will be provided on CULearn for this project in advance. The written report (20%) and group presentation (10%) will be graded separately, with feedback on each component provided separately.

Final Examinations (40 percent)

The final examination (40%) will be written during the regular MBA exam period. It may address any material covered during the course, including the FSA presentations. In order to pass this course, you must obtain a minimum grade on the final exam of 50%. The final exam will be a case-based exam (specific details regarding the delivery method will be provided two weeks prior to the exam date).

Drop Course Policy

The deadline for academic withdrawal is the last day of classes (each term).

Deferred Examination

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the

reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

Policy on Mobile Devices

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

Evaluation and Feedback

The evaluation in this course is firmly geared towards developing skills in analysis, synthesis, and critical thinking, quantitative analysis skills, skills in analyzing complex situations, problem solving, and decision-making.

I will provide you with feedback through comments on returned assignments, responses to e-mailed questions, verbal communications, and 1-on-1 or group meetings arranged by request (yours or mine). This feedback will be generally available to you one week after the deliverable is due, with the exception of the group financial statement analysis report and final exam results, which will be available after the end of the term.

Contribution to Program Learning Goals (MBA)

MBA Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MB1 Leadership and Collaboration <i>Graduates will be equipped for leadership and collaboration.</i>		✓		
MB2 Communication <i>Graduates will be effective communicators</i>				✓
MB3 Critical Thinking and Problem Solving <i>Graduates will be skilled in critical thinking and problem solving.</i>				✓
MB4 Functional Knowledge <i>Graduates will have functional knowledge of all areas of business.</i>				✓
MB5 Global Business <i>Graduates will have an appreciation of the global environment of business.</i>		✓		
MB6 Ethical Reasoning <i>Graduates will be skilled in ethical reasoning and decision-making.</i>			✓	

Other Accommodations

No Scents

This classroom and my office are scent-free environments. In accordance with the no-scent university policy and in consideration for students, faculty and staff who have environmental and chemical sensitivities, students are asked to refrain from wearing strong perfumes, colognes and scented products.

PROFESSIONAL DEPARTMENT

It is expected that each student's behavior will meet professional standards for attendance, attentiveness, courtesy and respect for others, particularly during other classmate's presentations.

Unprofessional behavior during class, such as talking during a lecture or presentation, will be reflected in the student's class participation mark.

Further, students are called to maintain a high standard of ethical behavior. This requires students to avoid all types of academic dishonesty, including plagiarism, cheating, and submitting someone else's work as your own. This also requires students to advise the professor of any instances of academic dishonesty of which they become aware.

To assist you in fulfilling your ethical responsibilities as a student, the ethical standards for this course require: group work to be performed exclusively by members of the group and all group members must contribute their fair share to each assignment; all exams must be the exclusive work of the individual student. If outside research is performed, sources are to be cited and information discovered via outside research is to be clearly labeled as such. Cheating or plagiarism will not be tolerated. All infractions will be dealt with according to University regulations. These regulations are found in the university calendar.

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).

Recommended Calculator for 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. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or 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.

Peer Evaluation for Group Work

To deter social loafing and ensure fairness in grading, you will be asked to assess the contribution of your fellow group members. This information will be used when assigning the grade for the final project. The procedure is as follows: Each student should take 100 points and allocate those points to the various members of the group (including him/her/themselves) to reflect the contributions made by each member. For instance, if there are four members in a group and everyone contributed equally, each individual would receive 25 points. Conversely, if an individual contributed relatively little, the remaining group members might allocate few points to that member. To ensure that these peer evaluation scores are reasonable and free from personal bias, you will be asked to provide a detailed written explanation for your point allocation. See Appendix 4 for more information and the Peer Evaluation form.

Letter Grades

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	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

Grades entered by Registrar:

WDN = Withdrawn from the course
DEF = Deferred

Academic Regulations

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 Accommodation

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

- **Pregnancy**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Religious Obligations**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. <https://carleton.ca/pmc/>

- **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: <https://carleton.ca/sexual-violence-support/>

- **Student Activities**

Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: <https://students.carleton.ca/course-outline/>

Academic Integrity

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—are a serious academic offence, 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: <https://carleton.ca/registrar/academic-integrity/>

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: <https://carleton.ca/csas/>

Other 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 can do so by visiting <https://carleton.ca/its/get-started/new-students-2/>

COURSE PLAN

Week 1 – March 8	
Topics:	FSA Framework; Common Size, Trend and Ratio Analysis
Readings:	PowerPoint slides, relevant chapters from the textbook, FSA – Questions to Guide Analysis
Cases/Exercise:	Matching Exercise - Industry Profiles with Industry Descriptions
Method/Pedagogy:	Lecture and case discussion
Skills/Competencies:	Analytical skills; core knowledge development
Companies:	Publicly traded Canadian companies

Week 2 – March 15	
Topics:	The Dupont Model; Investment Ratios
Readings:	PowerPoint slides, relevant chapters from the textbook
Cases/Exercise:	Comparing two restaurant chains
Method/Pedagogy:	Lecture, examples and case discussion
Skills/Competencies:	Analytical skills, core knowledge development
Companies:	McDonalds and Buffalo Wild Wings

Week 3 – March 22	
Topics:	Analysis of the Cash Flow Statement
Readings:	PowerPoint slides, relevant chapters from the textbook
Cases/Exercise:	Preparing and analyzing the cash flow statement
Method/Pedagogy:	Lecture and in-class exercise
Skills/Competencies:	Analytical skills; core knowledge development; team work; presentation skills
Companies:	Opus One, Inc.
Deliverables:	Company profiles due (10%)

Week 4 – March 29	
Topics:	Financial Failure; Conservatism; Accounting Policy Choice
Readings:	PowerPoint slides, relevant chapters from the textbook
Cases/Exercise:	Depreciation in the Canadian Airline Industry
Method/Pedagogy:	Lecture and corporate examples
Skills/Competencies:	Quantitative skills; problem solving and decision making skills; synthesis skills
Companies:	Air Canada; West Jet; Porter
Deliverables:	Financial Statement Exhibits due (5%)

Week 5 – April 5	
Topics:	Valuation
Readings:	PowerPoint slides, relevant chapters from the textbook
Cases/Exercise:	Valuation of senior housing companies
Method/Pedagogy:	Lecture and in-class case discussion
Skills/Competencies:	Analytical skills; core knowledge development; strategic thinking
Companies:	Chartwell, Sienna, Extencicare
Deliverables:	Company Cash Flow analyses due (5%)

Week 6 – April 12	
Topics:	Select topics in Reporting & Analysis; Group Presentations
Method/Pedagogy:	Lecture; discussion; illustration with real-world examples; presentations
Skills/Competencies:	Core knowledge development, analytical skills Oral communication; written communication; analyzing complex situations; analytical and synthesis skills; problem solving and decision making; quantitative skills; team work; creativity & imagination; executive summary; prioritizing issues
Deliverables:	FSA Reports due (20%) FSA Presentations (10%)

APPENDICES

Appendix 1: Group Project Guidelines – Financial Statement Analysis

Preparation

Each group is required to select an industry for analysis. Suggested industries include: Pharmaceutical/Biotechnology, Retail, Extractive (Mining or Oil & Gas), Manufacturing, Food and/or Beverage, Hospitality/Hotel/Recreational, Telecommunications, Other Natural Resource (Timber, Pulp & Paper, etc.). No two groups are able to select the same industry. Reserve your industry choices with your instructor (Alisher Mansurov) during the first class or by email alisher.mansurov@carleton.ca. Industry choices will be reserved on a first-come first-served basis. Once your industry choice is approved, select **two** publicly traded Canadian companies from within that industry for detailed study. Note: You may wish to select an industry and companies that group members have a particular interest in, perhaps an employer or an industry or company that you invest in, or have thought of investing in. You may not select any of the companies that we discuss in class.

Financial Statement Analysis: (50% of course grade)

Preparation

Obtain financial statements for the past four fiscal years for each of your companies. Corporate websites or the internet may be helpful in obtaining financial statements. The SEDAR website (www.sedar.com) can be searched for the public filings of all Canadian public companies. (To get four years of data, you will need only the past three annual reports).

Obtain industry averages for commonly used ratios for the industry (one source is Factiva's **Industry Snapshot** (www.library.carleton.ca then select Databases, F from the alphabetical listing, Factiva, Companies/Markets tab) or similar reports by Dun & Bradstreet or Standard and Poor's), or <http://www.bizstats.com/>.

Objective

To analyse the financial performance of two firms and to formulate recommendations for decision making based on your analysis.

Required

The written financial statement analysis report is due in the last class. Overall, your report (excluding appendices) should be approximately 20 double-spaced pages. Your analysis should include each of the following elements:

1. Briefly describe the primary business activities of the companies selected (recent Annual Reports are often a good source of information, as are industry publications or the financial press). For example, provide:
 - a brief historical summary
 - a list of key competitors
 - the relative industry position of the company
 - recent developments in the industry/company
 - future goals.

Submit this part of your analysis in Week 3 for grading and feedback (10%)

2. Prepare common-sized statements and trend analyses for four years for both the income statement and balance sheet of both companies.

For each of the last three fiscal years, for each company, calculate appropriate financial statement ratios.

Provide investment ratios and calculate Dupont model components.

Submit this part of your analysis in Week 4 for grading and feedback (5%).

3. Prepare a well-written analysis of the financial statements of each company based upon your *interpretation* of the common-sized statements, trend analyses, and financial statement ratios.

Comment on the ratio information for each of the companies and compare them to the industry averages.

Calculate z-scores for each of your companies for the most recent year. Do the z-scores support or contradict your other analyses?

4. Based upon your analysis, which of the companies would you advise a friend to invest in? As a banker would you lend these companies money? As a manager, where would you prefer to work?

Support your recommendations.

Include graphs, charts and tables to enhance your report (these are also very helpful in preparing your presentation).

Submit your final report in Week 6 for grading and feedback (20%). Incorporate your findings from all components of the project.

Presentation (10%)

Group presentations will take place during the last class. Each group will have approximately 15 minutes to present their company analyses to the class (this may be adjusted once the number of groups is determined). The group presentations are intended to allow all participants to benefit from the insights and recommendations arising from each group's analysis of different industries.

In your group presentation:

1. Present highlights of your analysis of each company.
2. Provide your investment recommendations for each company; support your recommendation.
3. Indicate whether you, as a corporate banker, would lend the company money; why or why not?
4. Indicate where you would prefer to work? Why? Consider both accounting and qualitative aspects which affect your preference.
5. Address how your industry's financial statement ratios appear to be unique, relative to other industries you know or we have discussed in class.

Appendix 2
Group Analysis of Cash Flow Statements (5%)

Assignment

Use the two publicly traded companies you have selected for your financial statement analysis.

Obtain the cash flow statements for each of the last three years. Analyze the cash flow statements, using the following questions as a guide.

For each year on the statement of cash flows:

Part 1:

1. What were the firm's major sources of cash? Its major uses of cash?
2. Was cash flow from operations greater than or less than net income? Explain the major reasons for the difference between these two figures.
3. Was the firm able to generate enough cash from operations to pay for all of its capital expenditures?
4. Did cash flow from operations cover both the capital expenditures and the firm's dividend payments, if any?
5. If not, what were the sources of cash the firm used to pay for the capital expenditures and/or dividends?

Part 2:

What was the trend in:

1. Net income?
2. Cash flow from operations?
3. Capital expenditures?
4. Dividends?
5. Net borrowings (proceeds less payments of short and long term debt)?

Part 3:

Based on the evidence in the statement of cash flows alone, what is your assessment of the financial strength of the company? Why?

Appendix 3
Individual Class Participation Assessment

Name: _____

Week	Attendance	Participation in Class Discussion or Debates	Participation during Case Presentation by other group	Participation during own group Discussions or Meetings	Comments
1					
2					
3					
4					
5					
6					

Identify strengths in terms of your class participation:

Identify areas for improvement:

Provide a fair assessment of your overall class participation:

/20

Appendix 4
ACCT5011
Financial Statement
Analysis

PEER EVALUATION FORM

To deter social loafing and ensure fairness in grading, we will consider the contributions made by individual group members when assigning final grades for the group project and presentation. This will be assessed using peer evaluation, and will entail individual deviations from the group grade in cases where this is warranted. The procedure is as follows: Each member will take 100 points and allocate those points to their group members (including her/himself) to reflect their contributions. So, for instance, if there are 3 members in a group and everyone contributed equally, each individual would receive 33½ points. Conversely, if an individual contributed relatively little, the remaining group members might allocate few points to that member. To ensure that peer evaluation scores are reasonable and free from personal bias, any point allocation that is not equal should be accompanied by a detailed written explanation.

PLEASE COMPLETE THIS FORM AND SUBMIT IT WITH YOUR FINAL REPORT

Name of Group Member <i>(please include yourself)</i>	Points	Rationale <i>(if point allocation is not equal)</i>
YOU:		

TOTAL **100**

Additional Comments *(if any)*

**ACCT5011
Financial Statement Analysis
PEER EVALUATION FORM**

Assess each member of your group-including yourself-- on each of the criteria listed below. For each criterion, rate each member of your group as follows:

- Outstanding** +2
- Above average** +1
- Average** 0
- Below average** -1
- Severely lacking** -2

Name of Team Member				
1. Reliability/Commitment Did s/he participate in team meetings in an organized fashion & meet team deadlines?				
2. Leadership Did s/he provide leadership through listening to others and helping the team to function as a team?				
3. Collaborative Did s/he participate in team activities and contribute in a positive manner?				
4. Respectful/Open Did s/he show respect for team members, their ideas and their other commitments?				
5. Contribution Did s/he do his/her share of the work, provide useful ideas, input, helpful suggestions and feedback to the team in accordance with team decisions?				
6. Output Did s/he produce high quality work?				
Totals for each team member				