

## 1. General Course Information

**Course Title:** Financial Statement Analysis

**Credit Weight:** 0.25 credits

**Prerequisites:** ACCT 5002

**Instructor:** Course Description

A user-oriented approach to the study of financial statements. The role of the financial statements and the annual report in the financial reporting process, using ratio analysis to analyze firm performance and make forecasts of future performance. Precludes additional credit for BUSI 5000 (no longer offered).

## 2. Course Rationale

This course will help develop students' ability to understand and interpret financial statements, to confidently use financial statements to assess firms' current performance and make predictions about their future performance.

Students will use the analytical skills they develop to assess firms' financial position, cash flows, earnings quality, and financial prospects. These skills can be used as an employee, an investor, a competitor, or as a knowledgeable member of the business community.

During the course the students will perform a detailed multi-step analysis of a specific real-life company. Some of these steps will involve reflection on their own experience in the workplace or as a current/future investor. Students will also have the opportunity to review other students' analysis, to engage in discussion about that analysis, challenge assumptions, etc. which is a reflection of the nature of this analysis in the world outside the classroom.

Students could include the Executive Summary from their Financial Statement Report in their professional portfolio.

## 3. Course Learning Objectives

After successfully completing this course, you will be able to:

- CO1. Analyse financial statements and use the results of the analysis to assist with decision-making
- CO2. Effectively communicate the results and interpretations of financial statement analysis
- CO3. Develop forecasts for a firm's future financial performance and explain how such forecasts are subject to uncertainty
- CO4. Evaluate investments, assess risk and calculate the value of a company



Module	Topics	Materials	Deliverable
2	Return on Equity Common-size financial statements Ratio analysis The Dupont Model	Course text Chapter 2 - Evaluating Financial Performance Case: Industry Identification through Ratio Analysis	Discussion topic: Company Selection by 17:00 EST on Tuesday of Week 2 Company Profiles by 17:00 EST on Sunday of Week 2
3	Forecasting future financial performance (pro-forma financial statements, cash flow forecasts, Altman Z-score) The impact of uncertainty on financial forecasts	Course Text Chapter 3 - Financial Forecasting  Article: How to Calculate Altman Z Score of Customers and Suppliers	Financial Statement Exhibits by 17:00 EST on Sunday of Week 3  Post key ratios to "Key Ratios" Google doc by 17:00 EST on Sunday of Week 3
4	The effect of accounting policy choice on financial statements	Case: Depreciation in the Canadian Airline Industry	Cash Flow Analysis by 17:00 EST on Sunday of Week 4 Discussion topic: Insight from Class' Key Ratios by 17:00 EST on Sunday of Week 4 Discussion topic: Depreciation in the Canadian Airline Industry
5	Financial leverage and risk How managers make financing decisions	Course text Chapter 6 - The Financing Decision	
6	Discounted cash flow Estimating investment risk Cost of capital	Course text Chapter 7 - Discounted Cash Flow Techniques Course text Chapter 8 - Risk Analysis in Investment Decisions	Financial Statement Analysis Report by 17:00 EST on Sunday of Week 6 Discussion topic: Executive Summaries by 17:00 EST on Sunday of Week 6
7	Using discounted cash flow to value a firm Valuing a firm based on comparable trades Venture capital method of valuation	Course text Chapter 9 - Business Valuation and Corporate Restructuring	Discussion topic: Investing in Canadian Senior Housing Companies: Chartwell, Sienna, and Extendicare

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			by 17:00 EST on Friday of Week 7 Discussion topic: Workplace Selection by 17:00 EST on Friday of Week 7 Peer Evaluation Forms by 17:00 EST on Sunday of Week 7 Participation Self-Assessment by 17:00 EST on Sunday of Week 7
			Final Exam: February 18-21

## 5. Learning Materials

### Textbook

Higgins, Koski, Mitton. Analysis for Financial Management, 13<sup>th</sup> Edition. New York, McGraw Hill, 2023.

### Other Resources

Bujaki, Merridee, and Sylvain Durocher. "Depreciation in the Canadian Airline Industry." *Accounting perspectives* 13.3 (2014): 209–218.

Bujaki, Merridee, and Sylvain Durocher. "Industry Identification through Ratio Analysis." *Accounting perspectives* 11.4 (2012): 315–322.

Mansurov, Alisher. "Investing in Canadian Senior Housing Companies: Chartwell, Sienna, and Extendicare". (2022)

Narayanan, Loral. "How to calculate Altman Z score of customers and suppliers." *Managing Credit, Receivables & Collections*, no. 10-03, Mar. 2010, pp. 12+. Gale Academic OneFile.

## 6. Grading Scheme

Activity	Scored Out of	Percent of Total Grade
<b>Group Term Project</b>		
Company Profile		10%
Financial Statement Exhibits		5%
Cash Flow Analysis		10%
Financial Statement Analysis Report		30%
<b>Participation</b>		
Peer Evaluation from Group Term Project		5%
Discussion Participation (based on Self-Assessment)		10%
<b>Final Exam</b>		30%
<b>TOTAL</b>		100%

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