



ACCT 5011 A
Financial Statement Analysis
Winter 2023/W1

Instructor: Jesse Dunn, MBA, CPA, CA
Email: JesseDunn@cmail.carleton.ca
Phone: 343-550-7636
Office: 7010, Nicol Building
Office Hours: Thursdays, 7PM – 8PM (or virtually by appointment most weeknights)

Class Meeting: Mondays, 8:35AM – 11:25AM

Course Calendar Description (from 2022/23 graduate calendar):

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.

Course Description:

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.

Course Learning Objectives:

1. Analyze financial statements and interpret the results of the analysis
2. Produce a report containing financial analysis and interpretation of the analysis
3. Predict a firm's future financial performance and explain how such predictions are subject to uncertainty
4. Calculate the value of a company (including performance of risk assessment) and evaluate an investment opportunity based on this valuation
5. Analyze the economic and regulatory environment to predict the effects of current issues on financial reporting
6. Explain the impact of accounting policy choices on financial statements

Course Prerequisites: ACCT 5002 Managerial Accounting

Required Materials: Higgins, Koski, Mitton. Analysis for Financial Management, 13th Edition. New York, McGraw Hill, 2023

Final Exam Date: Monday, February 27, 2023 from 8:35AM – 11:25AM

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

Grading Scheme:

Group Term Project	
Company Profile	10%
Financial Statement Exhibits	5%
Cash Flow Analysis	10%
Financial Statement Analysis - Report	20%
Financial Statement Analysis - Presentation	10%
Participation	
Peer Evaluation – Group Term Project	5%
In-Class Discussion	10%
Final Exam	30%
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TOTAL	100%

Each component of your grade will be assigned a percentage score. Your final course grade will be a weighted average of each of these components.

- **Group Term Project:** the Group Term Project will take students through all of the steps to performing and presenting full financial statement analysis for two publicly-listed companies operating in a common industry (approved by the instructor) using the methods taught in class. For each deliverable of the Group Term Project, detailed instructions and rubrics describing how grading components will be evaluated will be posted to Brightspace. Potential industries and companies inspired by the TSX 60 include:
 - Grocery/retail – Loblaws, Metro, etc.
 - Telecom – Bell, Rogers, Telus, etc.
 - Banking/financial services – RBC, TD, CIBC, etc.
 - Insurance – Sun Life, Manulife, etc.
 - Gold/mining – Barrick, Agnico Eagle, First Quantum, etc.
 - Rail/transportation – Canadian Pacific, Canadian National, etc.
 - Precious metals streaming – Franco-Nevada, Wheaton, etc.
 - Oil/gas – Imperial Oil, Suncor, Cenovus, etc.
 - Many others!
- **Participation – Peer Evaluation:** see **Peer Evaluation for Group Work** on p. 5 for details on how this be evaluated. An online form will be provided on Brightspace for students to submit their peer evaluations.

- Participation – In-Class Discussion: due by midnight (12AM) after every class, students will be asked to submit a brief summary of one (1) learning (max. 200 words) and one (1) contribution made (max. 200 words) for the class that day. The learning and contribution submitted will be evaluated for validity, relevance and quality. 1% will be available for each learning and each contribution to a maximum of 10%. An online form will be provided on Brightspace for students to submit their learnings/contributions.
- Final Exam: for the final exam, students will be provided information on a company and asked to leverage their learnings from class and from the Group Term Project to interpret the information provided and answer questions.

Late Assignments:

To ensure fairness for all students, penalties will be applied to late assignments: Failure to submit an assignment on time will result in an initial penalty of five (5) percentage points, followed by an additional (2) percentage points per day thereafter. For example, an assignment that would normally merit a grade of 80% would receive a grade of 75% if submitted after the deadline on the due date, 73% if submitted the following day, and so on. Requests for extension will be considered in cases of illness, family emergency, or other exceptional circumstances.

Missed Assignments and Term Work:

Students who miss an assignment or term work due to illness, injury or other extraordinary circumstances beyond their control are responsible for immediately informing the instructor and for making alternate arrangements to complete the assignment/term work. In all instances, this must occur no later than three (3) working days after the term work was due. The alternate arrangement must be made before the last day of classes in the term. Normally, any deferred term work will be completed by the last day of term.

Deferred Final 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.

Preparation and Participation:

The success of the course depends on active, thoughtful participation by students through contributions to course discussions.

See the Course Schedule on p. 9. The expectation is that students will attend course sessions having completed required readings and thought through/analyzed the case(s) and discussion topics assigned for the class per the schedule. This will enable students to participate more easily in any discussions and/or break-out sessions held in class. The wealth of different experiences and perspectives students bring to the classroom can enrich the experience for all, so I highly encourage everyone to participate actively and to ask lots of questions.

When possible, we will use breakout sessions to allow small groups to briefly discuss various cases and topics prior to moving into full class discussions. These small group sessions will be a good opportunity for you to test out some of your ideas and to contribute to the class experience.

Brightspace:

Brightspace will be used in this course. It is critical to use this learning tool on a regular basis. We will be using Brightspace as follows:

- To post video and/or PowerPoint lectures and seminar documents
- To communicate with students on a regular basis (e-mail, announcements, etc.)
- To submit assignments and case plans
- To post problems or readings
- To post notes of an administrative nature or updates to the course outline, if required

To access Brightspace, type in the following URL: <https://carleton.ca/brightspace/>

Contribution to Program Learning Goals ([MBA](#)):

MBA Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught <u>and</u> 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>		✓		

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/themself) 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.

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/>

Covid-19 Information:

It is important to remember that COVID is still present in Ottawa. The situation can change at any time and the risks of new variants and outbreaks are very real. There are [a number of actions you can take](#) to lower your risk and the risk you pose to those around you including being vaccinated, wearing a mask, staying home when you’re sick, washing your hands and maintaining proper respiratory and cough etiquette.

Feeling sick? Remaining vigilant and not attending work or school when sick or with symptoms is critically important. If you feel ill or exhibit COVID-19 symptoms do not come to class or campus. If you feel ill or exhibit symptoms while on campus or in class, please leave campus immediately. In all situations, you must follow Carleton’s [symptom reporting protocols](#).

Masks: Carleton has paused the [COVID-19 Mask Policy](#), but continues to strongly recommend masking when indoors, particularly if physical distancing cannot be maintained. It may become necessary to quickly reinstate the mask requirement if pandemic circumstances were to change.

Vaccines: Further, while proof of vaccination is no longer required as of May 1 to attend campus or in-person activity, it may become necessary for the University to bring back proof of vaccination

requirements on short notice if the situation and public health advice changes. Students are strongly encouraged to get a full course of vaccination, including booster doses as soon as they are eligible, and submit their booster dose information in [cuScreen](#) as soon as possible. Please note that Carleton cannot guarantee that it will be able to offer virtual or hybrid learning options for those who are unable to attend the campus.

All members of the Carleton community are required to follow requirements and guidelines regarding health and safety which may change from time to time. For the most recent information about Carleton's COVID-19 response and health and safety requirements please see the [University's COVID-19 website](#) and review the [Frequently Asked Questions \(FAQs\)](#). Should you have additional questions after reviewing, please contact covidinfo@carleton.ca.

COURSE SCHEDULE

Day	Topic/Agenda	Required Reading	Deliverables/ Discussions/Activities
Class 1 January 9, 2023	<ul style="list-style-type: none"> Introduction to financial statement analysis 	Course text – Chapter 1	Company Profile due 5PM Sunday January 15 Discussion Topic #1 due 5PM Sunday January 15
Class 2 January 16, 2023	<ul style="list-style-type: none"> Common-size financial statements Ratio analysis The Dupont model 	Course text – Chapter 2	Case: Industry Identification through Ratio Analysis
Class 3 January 23, 2023	<ul style="list-style-type: none"> 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 Article – How to Calculate Altman Z Score of Customers and Suppliers	Financial Statement Exhibits due 5PM Sunday January 29 Post key ratios to "Key Ratios" Google Doc by 5PM Sunday January 29
Class 4 January 30, 2023	<ul style="list-style-type: none"> The effects of accounting policy choice on financial statements Financial leverage and risk Financial failure Conservatism 	Course text – Chapter 6	Cash Flow Analysis due 5PM Sunday February 5 Case: Depreciation in the Canadian Airline Industry
Class 5 February 6, 2023	<ul style="list-style-type: none"> Discounted cash flow Estimating investment risk Cost of capital 	Course text – Chapter 7 Course text – Chapter 8	Financial Statement Analysis Report due 5PM Sunday February 12 Discussion Topic #2 due 5PM Sunday February 12
Class 6 February 13, 2023	<ul style="list-style-type: none"> Using discounted cash flow to value a firm Valuing a firm based on comparable trades Venture capital method of valuation 	Course text – Chapter 9	Financial Statement Analysis Presentation in class Monday February 13 Peer Evaluation Forms due 5PM Friday February 17 Participation Self-Assessment due 5PM Friday February 17
Final Exam Monday, February 27, 2023 from 8:35AM – 11:25AM			