

## Financial Statement Analysis

BUSI 2506 A

Fall 2024

<b>Instructor:</b>	Jesse Dunn, MBA, CPA, CA
<b>Email:</b>	jessedunn@cunet.carleton.ca
<b>Office:</b>	NI 7010
<b>Office Hours:</b>	By appointment only (Monday/Wednesday evenings)
<b>Modality:</b>	In-person
<b>Class Times:</b>	Mondays, 6:05 PM – 8:55 PM

**Pre-requisites:** BUSI 2501 or BUSI 2504 with a grade of C or higher in each

**Precludes:** additional credit for BUSI 2002

**Course Calendar Description** (from the [2024/2025 University Calendar](#))

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.

### Course Description:

This course helps students develop and use analytical skills to assess the financial statements, note disclosures and management discussions & analysis (MD&A) of various firms to make conclusions on firms' financial position, cash flows, earnings quality and financial prospects (including modelling projected financial information). These skills can be used by students as employees, investors, portfolio managers or as knowledgeable members of the business community to evaluate financial statements in today's international and volatile markets. During the course, students will have the opportunity to review and discuss financial analysis and will perform a detailed multi-step analysis of specific, real-life companies.

### Drop Course Policy

The deadline for academic withdrawal follows the dates prescribed by Carleton University:

<https://calendar.carleton.ca/academicyear/>

## Learning Outcomes:

1. Define the elements of financial statements and explain the basic principles supporting the recognition of these elements in the financial statements
2. Understand the interrelationship between financial statement items
3. Analyze financial statements and interpret the results of the analysis
4. Produce a report containing financial analysis and interpretation of the analysis
5. Predict a firm's future financial performance and explain how predictions are uncertain
6. Analyze the economic/regulatory environment to predict the effects of financial reporting issues
7. Explain the impact of accounting policy choices on financial statements
8. Identify manipulation techniques that could be used to manage earnings
9. Evaluate the usefulness and limitations of financial statement information

## Reading(s)/Textbook(s)/Required Materials

Robinson, Henry & Broihahn, International Financial Statement Analysis, 4th Edition. Wiley, 2020

Robinson, Henry & Broihahn, International Financial Statement Analysis Workbook, 4th Edition. Wiley, 2020

## Methods of Evaluation / Grading Scheme / Course Completion Requirements

(1) Group Term Project	
Company Profiles	5.0%
Financial Statement Analysis	7.5%
Model and Final Report	7.5%
Peer Evaluation	5%
(2) Midterm	20.0%
(3) Participation	10.0%
(4) Quizzes	10.0%
(5) Final Exam	35.0%
<hr/>	
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

In teams of 3-5 people, the Group Term Project will take students through all 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 describing how grading components will be evaluated will be posted to Brightspace. For those needing inspiration for which companies to pick, below are possible pairings of companies from the TSX 60 (but don't limit yourself to Canadian companies!):

- 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!

See Peer Evaluation for Group Work below for details on how this be evaluated. An online form will be provided on Brightspace for students to submit their peer evaluations.

### Participation

Students are expected to attend every lecture for the full lecture (unless written approval from the instructor is received in advance confirming otherwise). At the beginning of each lecture, students will be handed a physical sheet containing either the questions or the possible answers for 2 to 3 multiple choice questions. At the end of every lecture, the information missing from the physical sheets will be displayed live in class and students will be given 5-10 minutes to input answers to multiple choice questions. Physical sheets will only be available at the start of class and will only be collected at the end of class – sheets of students that arrive late or leave early won't be marked. Questions will be based on the lecture content covered so students can demonstrate their understanding of material. Participation will be assessed this way for ten (10) lectures, with each assessment being equally weighted (so 1% per lecture).

### Quizzes

Throughout the semester, a total of two (2) multiple choice quizzes will be administered. Quizzes are tentatively scheduled for Classes 4 (September 30) and 10 (November 25). Quizzes will generally consist of 10 to 20 multiple choice questions inspired by materials delivered in-class and the course textbook. Quizzes will be administered at the start of class and students will have approximately 20-30 minutes to complete each quiz.

### Midterm and Final Exam

Both the midterm and final exam will be written in-person and on paper. On the off-chance midterm or final exam delivery is moved to virtual, please note the following respecting e-proctoring:

The minimum computing requirements for e-proctoring service are as follows:

- Hardware: Laptop
- OS: Windows 10, Mac OS 10.14, Linux Ubuntu 18.04
- Internet Browser: Google Chrome, Mozilla Firefox, Apple Safari, or Microsoft Edge

Note: Chromebooks, tablets (Android, iOS, Windows), and smartphones are not supported by CoMaS at this time. You must complete your exams using Windows-based or MacOS computers.

- **Midterm:** there will be a midterm for the course consisting of 30 to 40 multiple choice questions at the beginning of Class 7 (November 4) inspired by materials covered in-class and the course textbook. The midterm will be administered at the start of class and students will have approximately 60-90 minutes to complete it.
- **Final Exam:** the final exam for the course will consist of 50 to 75 multiple choice questions inspired by materials covered in-class and the course textbook. Students will have 3 hours to complete the final exam.

### **Late Assignments:**

Assignments submitted past the due date will receive a penalty of 5% per day. Assignments that are not submitted after 10 days past the due date will receive a grade of 0. Exceptions to this include verifiable illness and emergencies, only when communicated directly to me within three (3) business days following the due date. Assignment extensions or new deadlines are granted on a case-by-case basis at the instructor's discretion.

### **Deferred Examinations/Assignments:**

If you wish to defer a Formal Final Exam, you – the student – must reach out to the registrar's office with the proper documentation prior to the deadline (please refer to <https://carleton.ca/registrar/deferral/> for dates). Once the request has been put through, your instructor will be notified for their approval. Your final exam will be formally scheduled. If you miss the deadline for applying for a deferral, please reach out to your instructor personally to discuss.

If you wish to defer a Midterm or an Assignment, please reach out directly to your instructor to discuss.

For more information or to apply for a deferral visit: <https://carleton.ca/registrar/deferral/>

### **Preparation and Participation:**

The success in the course depends on active engagement. See the Course Schedule below. The expectation is that students will attend course sessions having completed required readings and thought through/analyzed the cases, articles and/or 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. 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, articles and/or topics prior to moving into full class discussions.

## Course Schedule

- Group Term Project deliverable due
- Exam or quiz
- Special event

Day	Topic/Agenda	Required Reading	Deliverables
<b>Class 1</b> September 9, 2024	<ul style="list-style-type: none"> <li>● Course overview</li> <li>● Introduction to financial statement analysis</li> <li>● Financial reporting standards</li> </ul>	Chapters 1 and 2	
<b>Class 2</b> September 16, 2024	<ul style="list-style-type: none"> <li>● Understanding income statements</li> <li>● Understanding balance sheets</li> </ul>	Chapters 3 & 4	<a href="#">Group Term Project company selection approval by instructor (due September 16 by end of class)</a>
<b>Class 3</b> September 23, 2024	<ul style="list-style-type: none"> <li>● Understanding balance sheets</li> <li>● Understanding cash flow statements</li> </ul>	Chapter 4 & 5	
<b>Class 4</b> September 30, 2024	<ul style="list-style-type: none"> <li>● Financial analysis techniques</li> </ul>	Chapter 6	<p><b>Quiz 1</b></p> <p><a href="#">Company Profiles (due October 6 by 11:59 PM)</a></p>
<b>Class 5</b> October 7, 2024	<ul style="list-style-type: none"> <li>● Financial statement analysis applications (including modelling)</li> </ul>	Chapter 12	<p><a href="#">Peer Evaluation 1 (due October 7 by 11:59 PM)</a></p> <p><a href="#">Financial Statement Analysis (due October 27 by 11:59 PM)</a></p>
<b>October 14 – no class due to statutory holiday</b>			
<b>October 21 – no class due to Reading Week</b>			
<b>Class 6</b> October 28, 2024	<ul style="list-style-type: none"> <li>● Special topics: inventories</li> <li>● Special topics: long-lived assets</li> </ul>	Chapters 7 & 8	
<b>Class 7</b> November 4, 2024	<ul style="list-style-type: none"> <li>● Special topics: long-lived assets</li> <li>● Special topics: non-current liabilities</li> </ul>	Chapters 8 & 10	<b>Midterm</b>
<b>Class 8</b> November 11, 2024	<ul style="list-style-type: none"> <li>● Special topics: non-current liabilities</li> <li>● Special topics: income taxes</li> </ul>	Chapters 9 & 10	

<b>Class 9</b> November 18, 2024	<ul style="list-style-type: none"> <li>Special topics: intercorporate investments</li> <li>Special topics: multinational operations</li> </ul>	Chapters 13 & 15	<a href="#">Model and Final Report (due November 24 by 11:59 PM)</a>
<b>Class 10</b> November 25, 2024	<ul style="list-style-type: none"> <li>Special topics: multinational operations</li> <li>Special topics: employee compensation – post-employment and share-based</li> </ul>	Chapter 14 & 15	<a href="#">Peer Evaluation 2 (due November 25 by 11:59 PM)</a>  Quiz 2
<b>Class 11</b> December 2, 2024	<ul style="list-style-type: none"> <li>Financial reporting quality</li> </ul>	Chapter 11	
<b>Class 12</b> December 6, 2024	<ul style="list-style-type: none"> <li>Evaluating financial reporting quality</li> </ul>	Chapter 17	
<b>Date TBD - Final Exam</b>			

\*Please note that excluded from the above are case studies and article readings that will be assigned from time-to-time to prepare ahead of select classes

\*\*Also please note that while every attempt will be made to keep to the schedule listed above, unforeseen circumstances may necessitate changes to the schedule ad hoc throughout the semester

**Contribution to Learning Goals of the Program ([BCom](#), [BIB](#)):**

<b>Program Learning Goal</b>	<b>Competencies Not Covered</b>	<b>Competencies Introduced (only)</b>	<b>Competencies Taught But Not Assessed</b>	<b>Competencies Taught and Assessed</b>
<b>BC1 Knowledge</b> <i>Graduates will be skilled in applying foundational business knowledge to appropriate business contexts.</i>				X
<b>BC2 Collaboration</b> <i>Graduates will be collaborative and effective contributors in team environments that respect the experience, expertise and interest of all members.</i>			X	
<b>BC3 Critical Thinking</b> <i>Graduates will be discerning critical thinkers, able to discuss different viewpoints, challenge biases and assumptions, and draw conclusions based on analysis and evaluation.</i>				X
<b>BC4 Communication</b> <i>Graduates will be effective and persuasive in their communications.</i>				X

## 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, followership, 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.

#### 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 other group members might allocate few points to that member and more to others. 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. Lastly, to enable the Instructor to stay on top of any group performance issues, students will be asked to complete three peer evaluations throughout the semester, the first two of which will formative (and the last summative).

## Grading

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

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

Carleton is committed to providing academic accessibility for all individuals. You may need special arrangements to meet your academic obligations during the term. The accommodation request processes, including information about the *Academic Consideration Policy for Students in Medical and Other Extenuating Circumstances*, are outlined on the Academic Accommodations website ([students.carleton.ca/course-outline](http://students.carleton.ca/course-outline)).

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

## Pregnancy Accommodation

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: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

## Religious

## obligation

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: [carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](http://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

## Academic Accommodations for 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](mailto: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. [carleton.ca/pmc](http://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: [carleton.ca/sexual-violence-support](http://carleton.ca/sexual-violence-support)

## Accommodation for Student Activities

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must 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: [students.carleton.ca/course-outline](http://students.carleton.ca/course-outline)

## 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 cooperation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated.

Process: If an alleged violation occurs, all relevant documentation will be forwarded to the Dean. If the allegation proves true, the 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. **For a first offence, at a minimum, the penalty assigned will normally be a zero on the submitted work and at least a minimum full**

**grade reduction of the final course grade. For a second offence, at a minimum, the penalty assigned will normally lead to a suspension from studies.**

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/>.

### **Sprott Student Services**

The Sprott Undergraduate Student Services Office offers program advising and overall student success support. Our team is available to discuss your academic goals and your program progression plans. We can also work with you to develop strategies for success, including study skills for Business. If you experience any difficulty this term or if you would like to access support, please contact our team at [bcom@sprott.carleton.ca](mailto:bcom@sprott.carleton.ca) or at [bib@sprott.carleton.ca](mailto:bib@sprott.carleton.ca).

### **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 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 <https://carleton.ca/its/get-started/new-students-2/>
-