

FINA 5506 A
Financial Statement Analysis
Fall 2023

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Office: NI 7010
Office Hours: By appointment only – available most weeknights virtually

Class Meeting: Fridays, 2:35 PM – 5:25 PM in CB 2104

Course Calendar Description (from 2023 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. Prerequisite(s): enrolment in Master of Finance program. Also offered at the undergraduate level, with different requirements, as BUSI 2506, for which additional credit is precluded.

Course Prerequisites: Enrolment in Master of Finance program

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 perform a detailed multi-step analysis of specific, real-life companies. Students will also have the opportunity to review financial 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.

Course Learning Objectives:

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 such predictions are subject to uncertainty
6. Analyze the economic and regulatory environment to predict the effects of current issues on financial reporting
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

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

(Recommended only) Higgins, Koski & Mitton. Analysis for Financial Management, 13th Edition. McGraw Hill, 2023

Final Exam Date: To be determined

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

Grading Scheme:

Group Term Project	
Company Profiles	5%
Financial Statement Analysis	15%
Model and Final Report	10%
Presentation	5%
Peer Evaluation	5%
Quizzes (best four [4] out of five [5])	20%
Participation	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: in teams of 3-5 people, 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 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!

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

- **Quizzes:** throughout the semester, a total of five (5) multiple choice quizzes will be administered, of which students' four (4) best results will count towards their final grade (5% per quiz, 20% overall). Quizzes are tentatively scheduled for Classes 3 (September 25), 5 (October 16), 7 (November 6), 9 (November 20) and 11 (December 4). 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.
- **Participation:** due by midnight (11:59 PM) after every class, students will be asked to submit a brief summary of what they learned (min. 150 words; max. 200 words) OR a brief summary of what they contributed (same parameters) in class that day ten (10) times throughout the semester. The learning and contribution submitted will be evaluated for validity, relevance and quality. Each submission will be worth 1% (10% overall). Of the ten submissions throughout the semester, no more than five (5) can be learnings (the balance must be contributions). 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 a profile and pre-analyzed financial information on a publicly listed company and asked to leverage their learnings from class and from the Group Term Project to interpret the information provided and answer questions. The final exam will also include a multiple choice question portion.

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 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.

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 (MFin):

MFIN Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught <u>and</u> Assessed
MF1 Ethical and Professional Conduct <i>Graduates will conduct themselves in alignment with the CFA Code of Ethics and Standards of Professional</i>		X		

<i>Conduct.</i>				
MF2 Financial Markets, Institutions, and Instruments <i>Graduates will demonstrate an understanding of financial markets, instruments, and institutions.</i>		X		
MF3 Portfolio Management <i>Graduates will understand the motivations of investors and manage an investment portfolio that achieves those objectives.</i>		X		
MF4 Data Analysis <i>Graduates will be proficient in data management, analytics, and modeling.</i>				X
MF5 Communication <i>Graduates will be effective communicators.</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).

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:

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. **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/>

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 SCHEDULE

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

Day	Topic/Agenda	Required Reading	Deliverables
Class 1 September 8, 2023	<ul style="list-style-type: none"> ● Course overview ● Introduction to financial statement analysis ● Financial reporting standards ● Understanding income statements 	Chapters 1, 2 and 3 of required textbook <i>Chapter 1 of recommended textbook</i>	Participation Self-Assessment (due September 14 by 11:59 PM)
Class 2 September 15, 2023	<ul style="list-style-type: none"> ● Understanding income statements ● Understanding balance sheets ● Understanding cash flow statements 	Chapters 3, 4 and 5 of required textbook <i>Chapter 1 of recommended textbook</i>	Participation Self-Assessment (due September 21 by 11:59 PM) Group Term Project company selection approval by instructor (due September 15 by end of class)
Class 3 September 22, 2023	<ul style="list-style-type: none"> ● Financial analysis techniques 	Chapter 6 of required textbook <i>Chapter 2 of recommended textbook</i>	Participation Self-Assessment (due September 28 by 11:59 PM) Quiz 1
Class 4 September 29, 2023	<ul style="list-style-type: none"> ● Financial reporting quality ● Evaluating financial reporting quality 	Chapter 11 and 17 of required textbook <i>Chapter 2 of recommended textbook</i>	Participation Self-Assessment (due October 5 by 11:59 PM) Company Profiles (due October 5 by 11:59 PM)
Class 5 October 6, 2023	<ul style="list-style-type: none"> ● Financial statement analysis applications (including modelling) 	Chapter 12 of required textbook <i>Chapter 3 of recommended textbook</i>	Participation Self-Assessment (due October 12 by 11:59 PM) Quiz 2
Class 6 October 13, 2023	<ul style="list-style-type: none"> ● Growth and the financing decision 	<i>Chapters 4 and 6 of recommended textbook</i>	Participation Self-Assessment (due October 19 by 11:59 PM) Financial Statement Analysis (due October 19 by 11:59 PM)
Class 7 October 20, 2023	<ul style="list-style-type: none"> ● Special topics: inventories ● Special topics: long-lived assets 	Chapters 7 and 8 of required textbook	Participation Self-Assessment (due November 2 by 11:59 PM)

			Quiz 3
October 27 – no class due to Reading Week			
Class 8 November 3, 2023	<ul style="list-style-type: none"> Special topics: long-lived assets Special topics: income taxes Special topics: non-current liabilities 	Chapters 8, 9 and 10 of required textbook	Participation Self-Assessment (due November 9 by 11:59 PM)
Class 9 November 10, 2023	<ul style="list-style-type: none"> Special topics: non-current liabilities Special topics: intercorporate investments Special topics: multinational operations 	Chapters 10, 13 and 15 of required textbook	Participation Self-Assessment (due November 16 by 11:59 PM) Model and Final Report (due November 16 by 11:59 PM) Quiz 4
Class 10 November 17, 2023	<ul style="list-style-type: none"> Special topics: multinational operations Special topics: employee compensation – post-employment and share-based 	Chapters 14 and 15 of required textbook	Participation Self-Assessment (due November 23 by 11:59 PM)
Class 11 November 24, 2023	<ul style="list-style-type: none"> Analysis of financial institutions 	Chapter 16 of required textbook	Participation Self-Assessment (due November 30 by 11:59 PM) Quiz 5 PowerPoint Presentation (due November 30 by 11:59 PM)
Class 12 December 1, 2023	<ul style="list-style-type: none"> Group Term Project presentations 	N/A	Peer Evaluation (due December 8 by 11:59 PM)
Date TBD - Final Exam			

*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