

# Andrews University

## FINANCIAL STATEMENT ANALYSIS ACCT 620 October 2009

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Phone:

Office Hours: before and after class

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Yahoo! – [princessvalencia@yahoo.com](mailto:princessvalencia@yahoo.com); Gmail – [inmyelement@gmail.com](mailto:inmyelement@gmail.com); Windows Live  
Messenger – [carmelitaprincess@hotmail.com](mailto:carmelitaprincess@hotmail.com).

### *Required Text and Calculator:*

Textbook: Stice & Stice, Financial Accounting Reporting & Analysis 7<sup>th</sup> edition. Thomson South-Western, 2006.

Financial Calculator: Texas Instruments TI-83 or TI-84 (and/or plus and/or silver edition)

### Calculator Website(s):

TI-83 plus - [http://education.ti.com/educationportal/sites/US/productDetail/us\\_ti83p.html](http://education.ti.com/educationportal/sites/US/productDetail/us_ti83p.html)

TI-83 plus silver edition - [http://education.ti.com/educationportal/sites/US/productDetail/us\\_ti83pse.html](http://education.ti.com/educationportal/sites/US/productDetail/us_ti83pse.html)

TI-84 plus - [http://education.ti.com/educationportal/sites/US/productDetail/us\\_ti84p.html](http://education.ti.com/educationportal/sites/US/productDetail/us_ti84p.html)

TI-84 plus silver edition - [http://education.ti.com/educationportal/sites/US/productDetail/us\\_ti84pse.html](http://education.ti.com/educationportal/sites/US/productDetail/us_ti84pse.html)

### *Course Description and Objectives*

This course explores both underlying theory and practical applications of financial reporting and analysis. Throughout the course we will develop an understanding of alternative accounting measurements, determine ways to better communicate financial performance and financial position to users and emphasize techniques for analyzing financial reports. The course highlights the importance of financial statements as an information source for creditors and investors and will address different forms of financial analysis based on financial report information. We will also discuss earnings management and fraudulent financial reporting.

The central objective of the course is to assist students in developing an understanding of and the ability to interpret the content of financial statements and to use the information garnered in decision-making. The primary focus of this course is on accountability of publicly-traded enterprises. The course covers a wide range of accounting topics; however, all topics covered are related to accounting for the information contained in external financial reports.

### *American Disabilities Act*

If you qualify for accommodation under the American Disabilities Act, please see the instructor as soon as possible for referral and assistance in arranging such accommodation.

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## Academic Integrity

The University is an academic community. Its fundamental purpose is the pursuit of knowledge. The University can function properly only if its members adhere to clearly established goals and values. Essential to the fundamental purpose of the University, not only as an academic institution, but as one upholding Christian values, is the commitment to the principles of truth and academic honesty. While all members of the University share the responsibility of upholding the principles of academic honesty, special responsibility lies with the students. Academic dishonesty is not tolerated. *On the examination you will be required to sign a statement indicating your compliance with the policy of academic integrity – ie. You have neither received nor given any unauthorized assistance on the examination.*

## Grading System:

Your course grade is based on participation, presentation, project, ethics report and the final examinations.

Participation and Miscellaneous .....	10%
IFRS Presentation .....	10%
Financial Analysis Project .....	35%
Ethics Report.....	10%
Examination .....	<u>35%</u>
Total .....	<u>100%</u>

Your final grade in the course will be determined as follows:

<u>Grade</u>	<u>Overall Percentage</u>
A.....	At least 95.0%
A-.....	At least 90.0%, but less than 95.0%
B+.....	At least 87.0%, but less than 90.0%
B.....	At least 83.0%, but less than 87.0%
B-.....	At least 80.0%, but less than 83.0%
C+.....	At least 75.0%, but less than 80.0%
C.....	At least 70.0%, but less than 75.0%
D.....	At least 55.0%, but less than 70.0%
F.....	Less than 55.0%

## Class Procedures:

**Homework:** The homework assignments are given for practice only and will not be collected. Due to time restrictions, we may discuss in class the questions pertaining to International Financial Statements and Ethics Dilemmas. When requested we can go over other homework problems in class. The solutions to the exercises and problems will be provided to the students on Google Docs. I would suggest that you attempt the problems first, before consulting the solutions.

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**Class Participation:** Classes will generally be conducted using a lecture and discussion format. Lectures and homework problems will be used to focus the discussion on important topics. Class participation is an essential part of the learning experience in this course. You should be ready to answer questions that arise in class concerning the assigned topics, and feel free to ask questions about the material being discussed and offer your own opinions and views.

**Presentation:** During the session you will make one group presentation on the International Financial Reporting Standards. Each student will be assigned randomly to a group. Except for Group #1, each presentation should emphasize the IFRS rules for the assigned topic and how the IFRS standards differ from US GAAP, and should include examples and visuals.

Group #1 Presentation – History and Structure of the International Accounting Standards Board and International Financial Reporting Standards.

Group #2 Presentation – IFRS for income statement items

Group #3 Presentation – IFRS for Balance Sheet asset items

Group #4 Presentation – IFRS for Balance Sheet liability & equity items

**Project:** Throughout the session we will be learning many of the tools used in financial analysis. To apply this knowledge a financial analysis project of a company is required. The project is to be completed on Google Docs and you will need a Google account to access your project. Once you have a Google account, email me the email address you used to get your Google account. All continuing work on the project is to be done on Google Docs. I will periodically check your work and leave comments on Google Docs.

The final project is due no later than Sunday, 1 November 2009 at 10:00 pm. The final project is to be submitted, as a word or pdf document, by email to [uscacct620@gmail.com](mailto:uscacct620@gmail.com); subject line is to be “Final Project – [name of company] – [your surname]”. Projects submitted after the deadline (day and time) will be deducted 20%.

**Ethics Report:** There is an ethics report that is due in hard copy on 14 October 2009 at class. In this report you will discuss a case of accounting fraud, emphasizing both the accounting issues involved and ethical and values concepts that should have guided behavior.

**Examination:** The examination will emphasize application of knowledge, analysis and problem solving. Examination is open-book, open-note. There is no make-up exam.

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## Tentative Course Schedule

<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Readings</u>	<u>Homework</u>	<u>Project &amp; Presentations</u>
Class 1	4 Oct	Introduction and Nature and Purpose of Financial Accounting; Overview of Financial Reporting & The Balance Sheet	Chs 1, 2 & 4	P2-21, 22, 24; Int't Fin Stmts (p. 69); Ethics Dilemma (p. 71); P4-21, 26; Int' Fin Stmts (p. 171); Ethics Dilemma (p. 171)	<b>To be done prior to the start of the course</b> Project - General Information & Competitors, IRPAF report, Questions 34 to 37, MD&A, CEO Compensation
Class 2	5 Oct	The Income Statement	Ch 5	E5-15, P5-23, 25; Int'l Fin Stmts (p. 226); Ethics Dilemma (p. 227)	
Class 3	6 Oct	Introduction to Financial Statement Analysis	Ch 3	P3-18, 23, 25, 29	<b>IFRS Presentation Group #1</b>
Class 4	7 Oct	Statement of Cash Flows	Ch 6	E6-7, 8, 10, 14; P6-21, 23, 25; Int'l Fin Stmts (p. 283)	<b>IFRS Presentation Group #2</b>
Class 5	8 Oct	Revenue Cycle, COGS and Inventory and Expenditure Cycle	Chs 9, 10 and 11(p. 477-485, 491, 500-508)	P9-20, 27; Int'l Fin Stmts (p. 420); P10-25, 32; E11-18; P11-20, 26; Ethics Dil (p. 526)	<b>IFRS Presentation Group #3</b>
Class 6	11 Oct	Earnings Management & Financial Statement Fraud & <i>The Smartest Guys in the Room</i>			Project - Question 40; Ratio Analysis and Stock Price Analysis

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<u>Day</u>	<u>Date</u>	<u>Topic</u>	<u>Readings</u>	<u>Homework</u>	<u>Project &amp; Presentations</u>
Class 7	12 Oct	Time Value of Money	Appendix B (p. 821-836)		<b>IFRS Presentation Group #4</b>
Class 8	13 Oct	Investments in Operating Assets	Ch 12	P12-21, 22, 33; Int'l Fin Stmts (p. 582);	<b>Ethics Report</b>
Class 9	14 Oct	Investments in Securities & Financing with Debt	Chs 13 & 14	P 13-20, 23; Deciphering 13-1 (p. 634); Int'l Fin Stmts (p. 637); P14-21, 24, 25	
Class 10	15 Oct	Financing with Equity	Ch 15	P15-20	
<b>Class 11</b>	<b>4-Nov</b>	<b>Comprehensive Final Exam</b>			<b>After Final Exam Project - Liabilities &amp; Debt, Common Stock, Conclusions</b>