

Spring 2019

FINA 470

Tuesday - Thursday

Section 1 1:15 – 2:30

Section 2 2:50 – 4:05

Section 3 4:25 – 5:40

FINANCIAL STATEMENT ANALYSIS

Instructor: James M. Austin, CPA

Office: BA 456-G

Phone: Office (803) 777-4933 Cell (864)- 313-0821 - for emergency only. Please first email me with a request for me to call you and provide times that you will be available. Please include your phone number. I will make every reasonable effort to contact you as soon as possible.

E-mail jaustinspring2018@gmail.com (please use this email, rather than my school e-mail.) (Note the email is 2018).

Office Hours: Wednesday 10:30 to 1:00 and 2:00 to 4:30. I will be available also by appointments on Tuesdays and Thursday. There may be certain Wednesdays that I will not be available, but I will send a notice on blackboard should such situation arise. It is recommended, but not required that you email me prior to stopping by to ensure that I will be available when you arrive.

Class Web Site: <http://blackboard.sc.edu>

Objective

This course focuses on the analysis of financial statements for profitability, cash flow and risk assessment and for firm and segment valuation.

Cross-listed Course ACCT 470

Prerequisites

ACCT 225 and 226 and FINA 363

Financial statement analysis is the application of analytical tools and techniques to general-purpose financial statements and related data to derive a systematic and effective foundation useful in business analysis.

The following financial concepts from FINA 363 will be utilized in the course:

- Time Value of Money
- Present Value
- Future Value
- Annuity Calculations
- Amortizations
- Bond Valuations
- Stock Valuations
- Weighted Average Cost of Capital Calculations

Technology and minimal technology skills required statement:

- Students are expected to have basic computer skills including using the Internet, specifically, the Web. They are expected to log into the course site at least once a day. Students should be able to interact with the course site and resources in Blackboard (posting to Blackboard discussion board, submitting assignments, etc.). Students will be expected to create wikis in Blackboard and prepare reports using a word processor.
- The minimal technical skills required include the ability to:
 - organize and save electronic files
 - find and use web resources
 - use email and attach files,
 - check email and Blackboard daily, and
 - download and upload documents via email and Blackboard.

Disability Statement

Any student with a documented disability should contact the Student Disability Resource Center at 803 777-6142 to plan for appropriate accommodations.

Class Approach to Learning

My overall objective is to make the class time more interactive and enjoyable. The course material has been deemed by prior students to not be overly complex, but covers a lot of material.

My goal is to include more of the “pure” lecturer material in smaller taped modular sections. This should allow more time for class exercises and discussions.

Various students learn differently. I recommend and **require** viewing the tapings prior to the class where the material will be discussed. The goal is that it should enhance the student’s ability to discuss and contribute their ideas during class. At the end of this document is the time line with dates of when tests, the modular tapes are to reviewed and projects are due.

At the end of most of the taped presentations is one or more objective questions to be completed by the students. This is a quick way to test your understanding of the material.

The students’ answers to these questions will accumulated and the final grade entered in to blackboard grading system. The results are part of the student’s overall grade. I may choose to **not** count any answers as correct if the student did not complete the questions in a timely manner. The answers to the various question “embedded” in the tapes will be 5% of your final grade. I do reserve the right to elect not to include the results in your final grade, and to reallocate the 5% to other projects and tests.

I welcome feed- back related to this issue. The goal is to motivate students to learn the material prior to the class where the material is to be discussed and not to be over-whelmed by the amount of information to be learned days before the exams.

In the past, I would introduce a subject and provide examples and work through problems, etc. and then utilized the power point presentations as a review of the material discussed.

While some students may prefer this approach, I believe that it hampered class participation. On the other hand, by presenting the material first utilizing the modular and then working various problems, I have been able to discuss and answer specific questions that a student may have.

My goal with the “tapings” is to introduce the material, but only cover in the taped lectures easy examples, while saving the more complex issues for the live presentations.

The material in the book is “Dry”. My goal is to cover the majority of the material in the book either in live or taped presentations. Therefore, some students may only use the book to strengthen their understanding or to clarify an issue that is unclear to them. All test material will only come from information that is presented in either taped or live presentation or specifically assigned projects.

I will also provide the “slide only” power point slides, so a student may opt to review the material prior to exams at a more rapid pace, without the instructor’s comments.

I have added slides to the presentations, that “ask questions” that should help students focus on what is the key information or answer to be learned from the following slides.

It is strongly recommended that you not only attend class but perform the study problems. **At the end of many classes a short test will be given.** The primary purpose of the test will be for you to see how much of the material that was covered that day you were able to retain. The actual test results will be reviewed to assist me in determining the level of understanding that was obtained for that day. **Your specific score will not affect your final grade.** The test will also provide you with an idea of the type of material that will be on the four exams. You can expect that at least some of the questions will be on the next exam. There will be questions on the exams that were not on the quizzes.

Lecture Notes:

The lecture slides provided with the text will be available on Blackboard. They comprise a compressed view of each chapter’s contents. In order to reduce your note-taking, lecture notes will be available on the class web-site. These lecture notes are a very poor substitute for actually attending class. I will use the power point slides primarily as a review of material discussed earlier in the class. My lectures will sometimes be supported with slides and sometimes I will simply explain things to you. Certain slides that I use will not be posted. When we deal with various ratios, I will not require you to memorize the ratios, but will provide you with the ratios, expecting you to understand how to apply them.

Your job, then, becomes processing information ‘real-time’ and deciding which things are important enough to include in your hand-written notes. You cannot possibly write down all that I say. To succeed at this task, you must remain engaged during the class. You

cannot check out for a while and come back to a slide that you expect to find on Blackboard – it will not be there. Being able to sustain your focus on the matter at hand and process information as it arrives is a life skill that is extremely important to your career success. The process is part of your education in Finance 470.

Discussion questions

Selected discussion questions and answers for each chapter will be posted on blackboard. **I will include certain questions from these lists on each exam.**

Exams

It is your responsibility to show up **on time** for the exams. Make-up exams are at my discretion. If I decide not to allow a make-up exam, then those points will be moved to the comprehensive final exam. There will be 3 mid-term exams and one cumulative final.

My prior class stated that they thought the exams were difficult. Generally, they did well on the discussion questions, average on the objective questions and poorly on the problems. Therefore, having a complete working knowledge of the material is critical to your success. Also, each chapter is approximately 66 pages and we will generally cover a chapter a week. There is a lot of information to study for each exam. During classes I will provide a strong insight into the type of problems that you can expect to see on the test. **Students that simply memorized the approach to the specific problems discussed in class did not perform well on the test** when the information provided was not exactly the same as the problem solved in class.

If you have questions during classes, you are strongly encouraged to ask them... Asking questions not only benefits you, but makes the class more enjoyable than just hearing me speak.

Please do not hesitate to stop by my office, if you need assistance or just so that I can put a name with a face. I enjoy meeting and getting to know my students.

Student projects/exercises:

There will be four **projects/exercises** that you are expected to complete.

The **first project** is a budget problem that will require you to utilize your excel skills. This project will represent 4% of your final grade.

The Delta **exercise** involves answering 20 questions **online** related to Delta Airlines. The **Questions are provided in advance** and requires the reading and studying of 8-Ks, 10-Qs and 10-Ks. This project will represent 5% of your final grade.

The **second project** involves preparing a balance sheet, an income statement and a statement of cash flow. This project will represent 6% of your final grade.

The **third project** will be more time consuming and involved. This project will represent **11%** of your final grade.

This project will involve you selecting a company and preparing a four -page report double spaced no smaller type than 11 fonts, including a recommendation to either buy, hold or sell the company's stock. You will be expected to include the various concepts that we have discussed in class. For example, what are the major differences between their earnings and their cash flow from operations? How is the company financed? Are there any differences between net income and comprehensive income and what are the implications? What do you consider to be reoccurring earnings? How does your company compare with other companies in their industry? Are there any regulatory concerns? How do you expect the company to perform given the current economic environment? How will the company perform if interest rates rise? You may want to include various key ratios that you consider to be important measurements for your company, explaining what the ratio means related to your company and its performance. These are just ideas to be considered, you can include other information and data. But remember, four pages of text is the maximum. You are expected to include an excel worksheet as an attachment that shows the various ratio that you used. Also, you are expected to include as a second attachment an electronic copy of the balance sheet, income statement, statement of change, and statement of shareholder equity so that I can review. The attachments are not considered to be part of the four-page text.

As you work on your project, if you would like for you to meet with me that is fine. Please schedule a time for us to meet.

Once again, your report should not exceed more than four pages (no smaller than font size 11), excluding attachments. Part of the purpose of the project is for you to be able to summarize the results of your research. Neither I nor anyone else wants to read every fact that you may have discovered. I expect a well written report that is supported with only the most relevant information.

Grading:

I. Exams

- A. First mid-term (12%/15%/17% see note)
- B. Second mid-term (12%/15%/17% see note)
- C. Third mid-term (12%/15%/17% see note)
- D. Comprehensive Final Exam (25% see note)

Note: your highest mid-term grade will count most (17%), second highest (15%), and lowest (12%). (Remember the three class projects/ exercises are worth 26%.and the results of your answers to the questions embedded in the various modular is 5%)

On the tests, being able to explain the results of your financial analysis is a key objective. There will be certain questions where there is no specific correct answer. You will be expected to take a position and then support your answers.

In addition, you are expected to participate in class. Also, be prepared to answer any question that I may ask. I will randomly select or may choose to "pick on" certain students to answer questions. If you end the semester with a grade that is border line as

to receiving the next highest grade, then I will review your level of participation and then make a final decision on whether to reward you with the higher grade.

I assign letter grades according to the following scale:

90-100 = A
88-89 = B+
80-87 = B
78-79 = C+
70-77 = C
0-69 = F

Required Materials

Financial Statement Analysis, either 10th or 11th edition, K. R. Subramanyam and John J. Wild, McGraw-Hill Irwin, ISBN 13: 978-07-337943-2; ISBN-10: 0-07-337943-3.

Some students in the past, choose not to buy a book, since the material is discussed in detail in the various modular. The decision as to whether to purchase a book is the sole responsibility of the student.

Work Environment and Attendance Policy

Behavior Norms:

- Endeavor to arrive on time.
- Turn cell phones, beepers, etc. off.
- In deference to those around you, refrain from talking.
- I will never end late on purpose, thus, don't pack up early.
- Remove trash and garbage at the end of class.

Attendance: Consistent with University Policy as stated in the [Student Handbook](#).

Students are obligated to complete all assigned work promptly, **to attend class regularly**, and to participate in whatever class discussion may occur.

Be sure that you sign the attendance sheet for each class.

You are required to bring ID to class so if I need to verify your attendance.

Absence from more than 10 percent of the scheduled class sessions, **whether excused or unexcused**, is excessive and the instructor may choose to exact a grade penalty for such absences.

The instructor's attendance policy should be ascertained by the student at the beginning of the semester. It is of particular importance that a student who anticipates absences in excess of 10 percent of the scheduled class sessions receives prior approval from the

instructor before the last day to change schedule as published in the Master Schedule of Classes.

It must be emphasized that the "10 percent rule" stated above applies to **both excused and unexcused absences**.

Attendance: Each student is allowed three (3) absences from class period. **Each absence in excess of three may result in a one-letter grade reduction in the final grade.** Think of this class as your job – arrive on time and be prepared to participate. All student activities associated with university events (sports absences, student activities requiring absence from the university, job interviews, etc.) are considered excused, but **MUST** be cleared with the professor **PRIOR** to their occurrence.

Academic Honesty

An attempt to pass any examination by improper means is a most serious offense and will be treated with extreme prejudice. The aiding and abetting of a student in any dishonesty is likewise held to be a great breach of discipline.

Rule of Academic Responsibility (Directly from the Student Handbook)

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this rule or who knowingly assists another to violate this rule shall be subject to discipline.

This Rule is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Rule, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Rule.

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Unauthorized use of another person's work without proper acknowledgment of source.
5. **Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work** (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.

7. Conduct intended to interfere with an instructor's ability to evaluate accurately a student's competency or performance in an academic program.

An academic program includes any graduate and undergraduate course, independent study or research for academic credit, laboratory, internship, externship, clinical program, practicum, field placement, or other form of study or work offered in furtherance of the academic mission of the University. Academic work includes any work performed or assigned to be performed in connection with any academic program.

This Rule applies to all students of the University of South Carolina Columbia whether full-time or part-time.

A person's knowledge or intent may be inferred from the circumstances of an alleged violation.

Whenever a student is uncertain as to whether conduct would violate this Rule, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor prior to engaging in such conduct.

Some helpful web sites:

Study Finance	http://www.studyfinance.com/
Teach Me Finance	http://www.teachmefinance.com
TI BII Plus Calculator	http://www.studyfinance.com/lectures/fincalc/index.mv
Money 101	http://money.cnn.com/pf/101/index.html

The assigned modulars are REQUIRED to be completed - Ideally prior to class.

Tentative Schedule

Chapter 1:

Jan 15	http://simplestudies.com/
Jan 17	This website is an excellent refresher for financial accounting Modular 1 A thru E

Chapter 2:

Jan 22	Modular 2 A and B
Jan 24	Modular 2 C and D

Jan 24 First project due

Jan 29 Exam 1 Tuesday

Chapter 3:

Jan 31	Modular 3 A thru D
Feb 5	Modular E
Feb 7	
Feb 12	Modular F
Feb 14	

Feb 18	Delta Project due
Chapter 4: Feb 19	Modular 4
Feb 21	Exam 2 Thursday
Chapter 5 Feb 26 Feb 28	Modular 7
Chapter 7 March 5 March 7	Deferred tax
March 12-14	Spring Break- No classes
Chapter 5 . March 19	Modular -5-A thru D
Chapter 6 March 21	Modular 6 A- D
March 27	Second Project due
March 26	
March 28	
April 2	Exam 3 Tues
Chapter 8 April 4 April 9	Modular 8 A and B Modular 8 C and D
Chapter 10 April 11 April 16	
Chapter 11 April 18 April 23	
April 24	Final Project due
Review for final April 25	

Final Exam

May 7

@ 4:00 O'clock for 1:15 O'clock class (sec 1) **Tuesday**

May 2

@ 12:30 O'clock for 2:50 O'clock class (sec. 2) **Thursday**

May 2

@ 4:00 O'clock for 4:25 O'clock class (sec. 5) **Thursday**