

**Commerce 4FK3
Financial Statement Analysis
Winter 2021 Course Outline**

**Finance Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

The course is designed to provide you with advanced conceptual background and analytical tools necessary to evaluate financial statements issued by publicly held enterprises. It is meant to complement related studies in accounting, finance, economics, business policy, and statistical analysis. It focuses on understanding the uses and the limitation of both the financial statements and the traditional and non-traditional methods used in analyzing them.

We will discuss the financial statements, the accounting disclosure rules, the differential effects of alternative accounting principles, and the interpretation of financial information. Student's motivation and skill development will be enhanced by using problems and cases for actual companies. You will ultimately be better able to make judgements about the cash flows, earnings quality, hidden assets and liabilities, and the overall performance of the enterprise.

INSTRUCTOR AND CONTACT INFORMATION



**Mon 19:00 – 22:00 Eastern
(Digital)**

Alicia Damley, CFA, CPA, CA
Instructor
damleya@mcmaster.ca

Office Hours: by appointment only

Zeshan Arshad
Course TA
arshaz1@mcmaster.ca
Office Hours: Mon 1800 – 1900 Eastern

Course website: Avenue 2 Learn (A2L)

Course resources and announcements will be communicated via A2L. This should be your first stop for course related information.

We are here to help you succeed!

Both our course TA and I are here to help you navigate this course successfully.

Outside of class, it is easiest to connect via email. We can address a question quickly via email or setup a time to speak directly. I endeavor to respond to emails within 48 hours. For our mutual benefit and protection, please send all emails from your Mac id. If I have not responded to your inquiry within 48 hours, please re-send it in case it has been lost between our in-boxes.

Please always remember to:

- be courteous and respectful in all communication
- not send emails within 48 hours of a mid-term, exam or assignment due date. We are all busy. And it is important to plan accordingly!

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: No	Final Exam: No	Guest speaker(s): No

COURSE DESCRIPTION

This course will look at the accounting policies which can affect the profit activity of a corporation.

Prerequisite:

It is assumed that all students have a basic knowledge of accounting principles comparable to the materials covered in commerce 3AC3 (Financial Accounting). If you do not, you should catch up as quickly as possible.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Play the role of the main decision-maker(s) while taking all stakeholders into account;
- Formulate a strategic plan while considering the organization's capabilities and environmental context;
- Identify the important opportunities and challenges facing a business and setting out a course of action for dealing with them;
- Detail an action plan that is operationally specific.

COURSE MATERIALS AND READINGS

Required textbook: Financial Reporting and Statement Analysis: A Strategic Perspective, 9th edition, Wahlen, Baginski, Bradshaw; South-Western (Nelson).

McMaster Bookstore link:

https://campusstore.mcmaster.ca/cgi-mcm/ws/txsub.pl?wsTERMG1=211&wsDEPTG1=COMMERCE&wsCOURSEG1=4FK3&wsSECTIONG1=EVE%20C01&crit_cnt=1

Further reading material may be suggested by the instructor or handed out during the lectures. Students are expected to come to class on time and be prepared for the class, i.e., to have read the assigned readings. Students are also encouraged keep themselves up-to-date with current issues in international finance, as they may be discussed in class when appropriate.

Calculator:

The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

COURSE OVERVIEW AND ASSESSMENT

Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects.

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases, group members will share the same grade adjusted by peer evaluation.

Your final grade will be calculated as follows:

<i>Grade Component</i>	<i>Weight</i>	<i>Description</i>
Engagement	15%	Participation / contribution to discussion on Zoom Allocation based on <i>quality</i> , not quantity, of participation During each lecture we will apply the lecture material to a company. Please identify companies you would like to add to the list.
Group Cases & Presentation	20%	Group size: no more than 5 students Report format: see details below
Co Analysis & Presentation	30%	Group size: no more than 5 students Report format: see details below Presentation: see details below Duration: 15 min + 5 min Q&A (10%) Students are strongly encouraged to explore the data and trading related resources available in-person and/or virtually in the DSB's Allen H. Gould Trading Floor (GTF), DSB Rm 122A 905-525-9140 ext. 27760 gtf@mcmaster.ca
Mid-Term Exam (cumulative)	35%	Venue: Online Format: MCQs and written answer (TBC) Duration: 90 minutes (TBC)

Our weekly interaction will occur as follows:

<i>Activity</i>	<i>Delivery</i>	<i>Description</i>	<i>Tools(s)</i>
Lecture Core Content	Asynchronous	Recorded lecture	Voice-over PPT uploaded to Avenue
Live Lectures	Synchronous	Live virtual session; opportunity to elaborate on content, present challenges, engage discussion	Zoom
Additional course resources	Asynchronous	End of chapter practice questions Additional readings	Via Avenue
TA Access	Asynchronous	1-hour live session with TA: discuss lecture materials and/or questions. Please contact the TA via email to advise of your attendance so that the students per session can be better managed.	Zoom

<i>Activity</i>	<i>Delivery</i>	<i>Description</i>	<i>Tools(s)</i>
Group discussions	Both	Synchronous: breakout rooms during lecture Asynchronous: Zoom private groups	Synchronous: Zoom Asynchronous: Zoom

COURSE DELIVERABLES

Group hand-in cases and presentation:

The cases are used to reinforce, integrate and supplement the course material, and to provide practice in its application. Five (5) cases will be analyzed over the semester. Cases are due at the start of the lecture via Avenue. In addition, based on the # of groups at least one group will be required to prepare a presentation (15 min + 10 min Q&A) on a case. **All** students are expected to participate in the case Q&A.

See additional details in separate Case Analysis document.

Company Analysis & Presentation

See separate document for details.

Participation

You are expected to be prepared for each class by reading the assigned material and be a willing participant in discussions. Participation mark is based on active participation and **not** attendance. However, attendance is necessary to participate!

Mid-term exam

This will consist of written answer and problem-oriented questions on all topics covered prior to the exam date. More details will be provided closer to the mid-term date.

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY/PLAGIARISM DETECTION

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so can be checked for academic dishonesty. Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please go to;

www.mcmaster.ca/academicintegrity.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the

responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 4FK3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

**Commerce 4FK3
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Winter 2021 Course Schedule**

WEEK	DATE	ASSIGNMENT
1	Jan 11	Course Overview Introduction to Financial Reporting and F/S Analysis (Chp 1) Asset Valuation and Income Measurement (Chp 2)
2	Jan 18	Income Flow vs Cash Flow – Statement of Cash Flows / Free Cash Flows (Chp 3)
3	Jan 25	Profitability Analysis (Chp 4) <i>Case Due: W.T. Grant (Hand-in and presentation)</i>
4	Feb 1	Risk Analysis (Chp 5) <i>Term Paper: Phase 1 due at start of class</i>
5	Feb 8	Accounting Quality (Chp 6) <i>Case Due: Fly By Night (Hand-in and presentation)</i>
6	Feb 15	<i>Winter Recess</i> No class
7	Feb 22	Financing Activities (Chp 7)
8	Mar 1	Investing Activities (Chp 8) <i>Case due: Arbortech (Hand-in and presentation)</i>
9	Mar 8	Operating Activities (Chp 9) <i>Term Paper: Phase 2 due at start of class</i>
10	Mar 15	Mid-Term Exam (Material covered in Week 1 - 8 inclusive)
11	Mar 22	Forecasting Financial Statements (Chp 10) <i>Case due: Walmart (Hand-in and presentation)</i>

12	Mar 29	Valuation: Cash-Flow-Based Approaches (Chp 12) <i>Case due: Massachusetts Stove Co (Hand-in and presentation)</i>
13	Apr 5	Valuation: Market-Based Approaches (Chp 14)
14	Apr 12	<i>Group Presentations</i> <i>Term Paper due at start of class</i>

Cases covered:

W.T Grant. Part of e-textbook.

Fly By Night International. (Chp 5, pages 339 – 348)

Arbortech: Apocalypse Now (Chp 6, pages 418 – 426)

Walmart (Chp 9, page 632. Additional material Chp 1, Case 1.1)

Massachusetts Stove Co (Chp 5, pgs 332 - 338)