

**Commerce 4FK3
Financial Statement Analysis
Winter 2023 Course Outline**

**Finance and Business Economics 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

Section C01 Fri 8:30 – 11:20 Location: DSB AB102
Instructor: Alicia Damley, CFA, CPA, CA
damleya@mcmaster.ca Office Hours: by appointment
TA: Parastoo Ostad ostads@mcmaster.ca Office Hours: TBC

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, Parastoo Ostad, a Mac PhD candidate, 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
A2L: Yes	Ethics: Yes	Numeracy: Yes	Written skills: Yes
Participation: No	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 successful 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, 10th edition, Wahlen, Baginski, Bradshaw; South-Western (Nelson).

Campus Bookstore link

https://campusstore.mcmaster.ca/cgi-mcm/ws/txsub.pl?wsTERMG1=231&wsDEPTG1=COMMERCE&wsCOURSEG1=4FK3&wsSECTIONG1=DAY%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.

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:

<u>Grade Component</u>	<u>Weight</u>	<u>Description</u>
Group Cases & Presentation	30%	Group size: upto 5 students Report format: see details below
Co Analysis & Presentation	30% 20% Report 10% Presentation	Group size: upto 5 students Report & Presentation: details in separate document on A2L 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
Term Test (cumulative)	40%	Format: TBC Duration: 90 minutes (TBC) Location: TBA

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. Groups may submit all 5 cases and the lowest grade will be dropped OR submit only 4 cases and all grades will be recorded.

See additional details in separate Case Analysis document.

Company Analysis & Presentation

See separate document for details.

Term Test

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.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar [“Requests for Relief for Missed Academic Term Work”](#) and the link below;

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

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

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 behavior 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.

For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/), located at <https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g., the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g., A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g., e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, usernames for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ONLINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in university activities. Student disruptions or behaviors that interfere with university functions on online platforms (e.g., use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University’s [Academic Accommodation of Students with Disabilities](#) policy.

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 should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation 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.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law

protect every original literary, dramatic, musical and artistic work, **including lectures** by university instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labor disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

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

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Winter 2023 Course Schedule**

WEEK	DATE	ASSIGNMENT
1	Jan 13	Course Overview Introduction to Financial Reporting and F/S Analysis (Chp 1) Asset Valuation and Income Measurement (Chp 2)
2	Jan 20	Income Flow vs Cash Flow – Statement of Cash Flows / Free Cash Flows (Chp 3)
3	Jan 27	Profitability Analysis (Chp 4) <i>Case Due: W.T. Grant (Hand-in and presentation)</i>
4	Feb 3	Risk Analysis (Chp 5) <i>Company Analysis: Phase 1 due at start of class</i>
5	Feb 10	Accounting Quality (Chp 6) <i>Case Due: Fly By Night (Hand-in and presentation)</i>
6	Feb 17	Financing Activities (Chp 7)
7	Feb 24	<i>Winter Recess</i> No class
8	Mar 3	Investing Activities (Chp 8) <i>Case due: Arbortech (Hand-in and presentation)</i>
9	Mar 10	Operating Activities (Chp 9) <i>Company Analysis: Phase 2 due at start of class</i>
10	Mar 17	Mid-Term Exam (Material covered in Week 1 - 9 inclusive)
11	Mar 24	Forecasting Financial Statements (Chp 10) <i>Case due: Southwest & Lufthansa Airlines (Hand-in and presentation)</i>
12	Mar 31	Valuation: Cash-Flow-Based Approaches (Chp 12) Valuation: Market-Based Approaches (Chp 14) <i>Case due: Massachusetts Stove Co (Hand-in and presentation)</i>
13	Apr 7	<i>Group Presentations</i> <i>Company Analysis & Presentation due at start of class</i>

* The topics covered in each session might be adjusted with the speed of class progress.

Case list:

W.T Grant

Fly By Night International

Arbortech: Apocalypse Now

Southwest & Lufthansa Airlines

Massachusetts Stove Co