

Spring 2024

ACCT/FIN 403-002: Financial Statement Analysis

William Tamke

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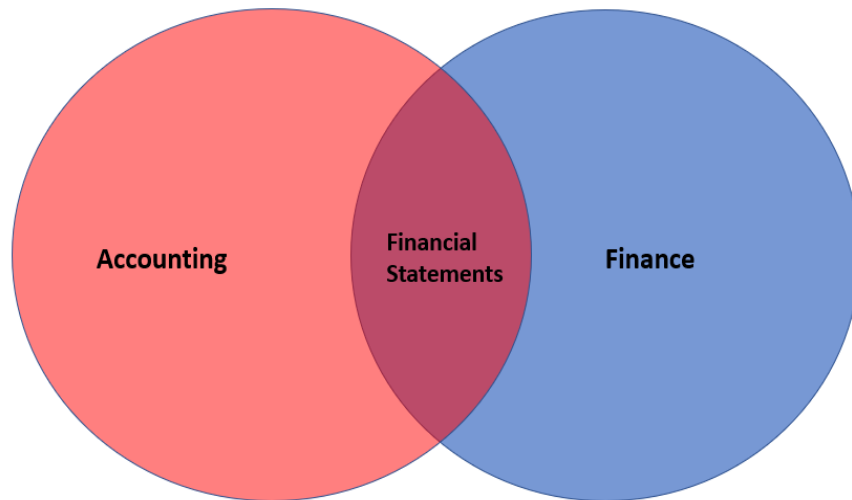
Instructor: William Tamke
Office: CAB 4032 **Phone:** 973-596-3264
Email: wtamke@njit.edu
Class Time & Location: Mon, Thurs: 10:00 am – 11:20 am
Class Location WEST LECT 2
Prerequisites: FIN218 / FIN315
Office Hours: Monday 2:30 - 4:00 pm

**Financial Statement
Analysis
ACCT/FIN403-002**

Contacting the Instructor: E-mail is best; in the subject line please state: ACCT/FIN 403

COURSE OVERVIEW

This course offers comprehensive coverage of analysis of financial statements so that students can: a) evaluate the financial position of a firm; b) assess the firm's inherent value and the value of its securities; c) assess the firm's obligations and its ability to meet them; and d) analyze sources and uses of cash.



REQUIRED COURSE MATERIALS

Easton, P.D., M.L. McAnally, G.A. Sommers, and X.J. Zhang, *Financial Statement Analysis and Valuation, 6 Edition*, Cambridge Business Publishers, 2020 [ISBN: 978-1-61853-360-9].

There are at least three purchase options (note—if one purchases a used text, one must still purchase myBusinessCourse access):

1. eBook subscription = \$125 for 6 months, **includes free access code to myBusinessCourse**
<https://cambridgepub.com/book/financial-statement-analysis-valuation-6e#purchase>

Preview book at: <https://cambridgepub.com/ereader/12774/?preview#page/i>

2. New book purchase = \$238 (+shipping?), **includes free access code to myBusinessCourse**
<https://cambridgepub.com/book/financial-statement-analysis-valuation-6e#purchase>

3. New book purchase = \$??? at NJIT Bookstore, **includes free access code to myBusinessCourse**

LEARNING OUTCOMES

1. Identify the framework and steps for Financial Statement Analysis and Valuation.
2. Examine the linkages between Accounting, Financial Statements, Finance, and the users of financial information.
3. Apply the principles of fundamental analysis to interpret the information financial statements communicate.
4. Explain the impact of financial accounting principles, disclosure standards, and alternative accounting practices on financial reports.
5. Assess the profitability, risk, and growth of a firm.
6. Evaluate an Excel spreadsheet to facilitate fundamental analysis.
7. Prepare a comprehensive written assessment of a firm.
8. Use accounting terminology to communicate effectively in a business environment.
9. Apply valuation techniques to estimate the fair value of a company's stock.

EXPECTED LEARNING OUTCOMES

In addition to content specific course objectives, the course intends to help students develop a wide range of analytical, communication, interpersonal, and technology skills, namely:

Competencies	Outcome
LC 1 Develop an Understanding of Business Concepts and the Technical Knowledge to Solve Business Problems	LO 1.1 Assess business operations within the context of a competitive business environment.
	LO 1.2 Develop skills to critically analyze business operations.
	LO 1.3 Understand how Accounting and Finance are linked in analyzing financial statements.
	LO 1.4 Apply learned skills to case analyses that requires critical thinking and strong problem-solving skills.
	LO 1.5 Access and extract financial information from the Securities and Exchange's EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system
	LO 1.6 Prepare effective Excel spreadsheets, graphs, etc. to consolidate and evaluate SEC data to support the presentation of financial statement analyses of companies.
	LO 1.7 Apply valuation techniques to estimate the fair value of a company's stock.
LC 2 Develop Effective Communication Skills	LO 2.1 Advance skills that enable effective business writing including using data analytics techniques.
	LO 2.2 Practice articulating accounting and finance concepts and gaining perspective on discussion questions through class participation.
LC 3 Interact Effectively in Teams	LO 3.1 Demonstrate the ability to understand and use team building behaviors to accomplish group tasks
LG 4 - Develop Ethical Reasoning Skills	LO 4.1 - Demonstrate the ability to identify ethical dilemmas and make decisions grounded in ethical principles

COURSE WEBSITE

Please go to CANVAS. The Canvas site is where most course materials are posted. Make sure you have an NJIT UCID and password so that you are able to access Canvas. I will use Canvas to post announcements and supplemental materials throughout the semester. **So, please be sure to check the site (canvas.njit.edu) frequently. Please contact helpdesk (973-596-2900) for problems associated with Canvas**

CANVAS INTEGRATION (with MBC)

MyBusinessCourse is integrated into Canvas. The course can be found at:

<https://canvas.njit.edu>

COURSE DEVLIVERABLES / FINAL GRADE COMPONENTS

Components: Your grade for this course will be based on the following target weights (subject to change):

<i>Components</i>	<i>Target Weights</i>
Quizzes	15%
Exams	20%
MBC Homework	20%
Project(s)	30%
Special Assignments / Participation	15%

Final Grades

Grades reflect your performance and level of understanding of course content. Therefore, to achieve the grade of A or B in this class expect to:

- **Develop a good work ethic** to enhance your learning and competitiveness in the workplace, ...read, study, complete assignments, persevere.
- **Attend every class.** During class new content is explained and then applied using in-class exercises and activities for better understanding.
- **Come to class prepared.** This means completing homework prior to class to the best of your abilities. Bring your questions to class.
- **Actively participate,** as appropriate, in class discussions, exercises, and activities to further understanding.
- **Study Time** ... common rule of thumb: 2-3 hours of study OUTSIDE of class for every hour of class time. Thus, a three-credit college class would normally require 3 hours of class plus 6 - 9 hours of homework/study per week.

With less preparation and participation expect the grade of C or lower.

I have had students be very casual in taking a class for the first part of a term. Then, as the class nears the end, the student realizes a bad grade may be in the future and asks for an extra-credit opportunity or extensions to due dates. This is usually done with a **sad face, a soft voice, and a remorseful heart**. Please know now that such opportunities are not fair to the other students. So, the grading system established in this syllabus is final and no other opportunities exist. This means that each student should take this class seriously from the first week.

Final course grades will be based on the following scale (there will be NO curve):

Grading Scale

A	B+	B	C+	C	D	F
90.0+ %	86.0 – 89.9	80.0 – 85.9	76.0 – 79.9	70.0 – 75.9	60.0 – 69.9	< 60%

(Please note: Incompletes are only given under rare, extenuating circumstances such as serious illness ... they are not given for being unprepared for exams, incomplete homework, etc.)

HOMEWORK: MyBusinessCourse (MBC) via Canvas

- Access to MBC is through Canvas.
- Class time is for new material....do not do homework during class time.
- Extra credit is not available.

PROJECT (s)

A project or series of mini-projects may be assigned that involves selecting a company (or companies) to analyze, sourcing company financial data from one or more financial databases, populating and evaluating an Excel spreadsheet to facilitate fundamental analysis, developing a comprehensive written evaluation, and possibly presenting results to the class.

EXAM / QUIZZES CODE OF CONDUCT

- Electronic devices, including cell phones are strictly prohibited.
- Simple calculators may be used.
- Bags should be zipped up and off desk tops.

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- NO leaving the classroom once the exam starts. Therefore, before the exam plan to use the restroom, get water, etc.
 - No make-up exams or quizzes.
 - **Note: Cheating will not be tolerated...see Academic Integrity below.**

EMAIL ETIQUETTE

This is a business course, and the expectation is that you will conform to appropriate business letter writing practice in all of your email to me. The following are the basics.

- Put the course name (e.g. course name or course number) in the subject line
- Identify the subject of the e-mail with a brief but descriptive summary of the topic: include a proper salutation and the assignment details such as the title, homework, or test.
- Proofread your e-mail for proper sentence structure, capitalization, spelling and punctuation.
- Conclude the e-mail message with a proper closing (e.g. Regards, Sincerely) and your full name.

(Note: Do not e-mail requests for additional grade points unless there is an error in the grading. Please note that any grade discrepancies must be addressed within 2 weeks of the assignment due date. Grades are not 'given out' by the professor; they are 'earned' by the student. So, make sure that you 'earn' a grade that you can live with.)

ACADEMIC INTEGRITY

Academic Integrity is the cornerstone of higher education and is central to the ideals of this course and the university. Cheating is strictly prohibited and devalues the degree that you are working on. As a member of the NJIT community, it is your responsibility to protect your educational investment by knowing and following the academic code of integrity policy that is found at:

<http://www5.njit.edu/policies/sites/policies/files/academic-integrity-code.pdf>.

*Please note that it is my professional obligation and responsibility to report any academic misconduct to the Dean of Students Office. **Any student found in violation of the code by cheating, plagiarizing or using any online software inappropriately will result in disciplinary action. This may include a failing grade of F, and/or suspension or dismissal from the university.** If you have any questions about the code of Academic Integrity, please contact the Dean of Students Office at dos@njit.edu*

ACCOMMODATIONS

Educational access is the provision of classroom accommodations, auxiliary aids and services to ensure equal educational opportunities for all students regardless of their disability. If you are

in need of accommodations due to a disability please contact the Office of Accessibility Resources & Services (OARS) to discuss your specific needs. A Letter of Accommodation Eligibility from the OARS authorizing your accommodations will be required. Accommodations need to be requested in advance and will not be granted retroactively.

ROLE of DEAN OF STUDENTS

When a student invokes extenuating circumstances for any reason (late withdrawal from a course, request for an Incomplete grade) the student is to be sent to the Dean of Students Office. The Dean of Students will be making the determination of whether extenuating circumstances exist or not and will be notifying the instructor accordingly. Instructors should never request or accept medical or other documents from students; such documents need to be submitted by the student to the Dean of Students. Except for cases determined by law, an instructor is not required to accommodate student requests even when extenuating circumstances are certified by the Dean of Students.

CLASS CODE OF CONDUCT

Success in business depends on the combined performance of the professional team, not the self-centered interests of one individual. Similarly, a good learning environment is collectively created and requires the contribution of all students within the class. To maximize learning:

- **Attend every class.**
- **Get to class on time and depart when class is dismissed.**
- **Come to class prepared.** Arriving with assignments complete.
- **Take responsibility for your education.** Engage in learning. Be attentive during class. Give your undivided attention and actively contribute to discussion, exercises, and projects.
- **Do not do MyBusinessCourse homework during class time.**
- **Show respect for your classmates.** Listening attentively to others' thoughts and ideas.

Disruptive behavior includes:

- **Using unauthorized electronic devices in class:** Please do not use electronic devices in class. Turn off cell phones, MP3 players, laptops, etc. Taking photos or making audio/visual recordings may not be done without the expressed written permission of the instructor.
- Engaging in side-conversations.
- Disrespecting others.
- Arriving late and departing before class is dismissed.

Non-compliance:

- Exhibiting behavior that disrupts the class learning environment will result in a deduction of participation points. Students may also be asked to leave class.

NOTE: SYLLABUS SUBJECT TO CHANGE This syllabus is subject to change according to the needs of the class as deemed appropriate by the instructor. Any necessary changes will be communicated to you.

COURSE SCHEDULE

The targeted course schedule is below. Not listed is a project or series of smaller projects which will be assigned as we move through the course.

#	DAY	DATE		
	M	15-Jan		MLK
1	R	18-Jan	MOD 1	<i>Introduction</i>
2	M	22-Jan	MOD 1	<i>The Environment</i>
3	R	25-Jan	MOD 2	<i>Review of the Financial Statements</i>
4	M	29-Jan	MOD 2	<i>Closer Look at the Statement of Cash Flows / QoE / FCF</i>
5	R	1-Feb	MOD 3	<i>Closer Look at the Income Statement</i>
6	M	5-Feb	MOD 3	<i>Gross Profit Analysis</i>
7	R	8-Feb	MOD 4	<i>Financial Leverage</i>
8	M	12-Feb	MOD 4	<i>Operating and Financial Leases</i>
9	R	15-Feb	MOD 5	<i>ROE and ROA</i>
10	M	19-Feb	MOD 5	<i>DuPont Disaggregation</i>
11	R	22-Feb	MOD 6	<i>Measuring Credit Analysis</i>
12	M	26-Feb	MOD 6	<i>Liquidity, Solvency, Coverage Ratios</i>
13	R	29-Feb	MOD 7	<i>Productivity Ratios</i>
14	M	4-Mar	MOD 7	<i>Cash Conversion Cycle</i>
15	R	7-Mar	MOD 8	<i>Equity Recognition and Owner Financing</i>
		10-Mar	16-Mar	<i>Spring Break</i>
16	R	18-Mar	MOD 8	<i>AOCI</i>
17	M	21-Mar	MOD 9	<i>Intercorporate Equity Investments</i>
18	R	25-Mar	MOD 9	<i>(focus: Marketable Equity Securities)</i>
19	M	28-Mar	MOD 10	<i>Forecasting: Income Statement and Balance Sheet</i>
20	R	1-Apr	MOD 10	<i>Forecasting Statement of Cash Flows</i>
21	M	4-Apr	MOD 11	<i>Cost of Capital and Valuation Basics</i>
22	R	8-Apr	MOD 11	<i>Cost of Capital and Valuation Basics</i>
23	M	11-Apr	MOD 12	<i>Cash-Flow-Based Valuation</i>
24	T-R	15-Apr	MOD 12	<i>Cash-Flow-Based Valuation</i>
25	M	18-Apr	MOD 13	<i>Cash-Flow-Based Valuation</i>
26	R	22-Apr	MOD 13	<i>Company Report & Presentation</i>
27	M	25-Apr	MOD 14	<i>Company Report & Presentation</i>
28	R	29-Apr	MOD 14	<i>Company Report & Presentation</i>
	TBD		FINAL EXAM	