

Sam Houston State University
College of Business Administration
Department of General Business and Finance
Summer I 2008

COURSE NUMBER: FIN 432W.01
COURSE TITLE: Financial Statement and Credit Analysis
INSTRUCTOR: Dr. Kurt Jesswein
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OFFICE HOURS: Monday-Friday, 10:00 a.m. – 12:00 p.m., or by appointment.
REQUIRED TEXT: *Financial Reporting and Analysis – Using Financial Accounting Information*, 10th Ed., Gibson, South-Western, 2007. ISBN 0-324-30445-5.

SUPPLEMENTAL MATERIALS: I periodically supplement course information with announcements placed on Blackboard or through emails. Thus, it is imperative that you periodically check Blackboard for course updates and be certain that the email address listed on the Blackboard system is one that you regularly access or to which you have emails forwarded. **Your first assignment is to enter Blackboard and complete a brief questionnaire, acknowledging your understanding of the requirements for this course. The assignment is worth 0.2 percent of your overall grade in the course which could be the difference in a letter grade so please take care of it early.**

DESCRIPTION OF COURSE: A study of theoretical issues and various applications relevant to the analysis of financial statements using finance and accounting principles. Readings and case studies are utilized to provide a contemporary perspective.

COURSE OBJECTIVES: You will be introduced to a variety of principles and methodologies applicable to the analysis of financial statements, learning to apply the appropriate tools in the appropriate setting. As such, these are highly valued skills and competencies demanded from professionals in the marketplace you will soon be joining. Thus, by the end of the semester you will be expected to have reviewed and gained factual knowledge of various accounting principles that affect financial reporting as well as methodologies (common-sized statements, ratio analysis, etc.) used to evaluate financial reports. You will be expected to be able to find and use appropriate resources for conducting financial analysis and then apply that knowledge base in analyzing financial statements.

PREREQUISITES: FIN 367

CLASS MEETINGS: SHB 105. Monday-Friday, 12:00 p.m. – 1:50 p.m. beginning on Tuesday, June 3, 2008 and ending with the final exam on Tuesday, July 1, 2008 at 12:00 p.m.

INSTRUCTIONAL ACTIVITIES: Class time will be devoted to highlighting important material and demonstrating problem-solving techniques. It is assumed that you have read the assigned material carefully and completed any other assignments **BEFORE** class.

COURSE EVALUATION PROCESS: There will be three exams plus a final exam as well as periodic homework problems and a semester project to be complete. The weighting scheme will be as follows:

Three exams x 15% each	45%
Homework	20%
Project	20% (20% interim, 60% paper, 20% presentation)
Final exam	15%

Exams will include multiple choice questions but mainly short problems and analysis questions as this IS a *writing enhanced* class. Your exams will be graded and returned to you for review, normally the next class period after the exam. The exams will then be taken back up to record the grades. If the exam leaves the classroom, a grade of zero will be assigned. Problems with taking any examination(s) on the scheduled date(s) must be discussed with the instructor before the examination. If an exam is missed, a grade of zero (0) will be assigned for the exam. Under rare and unusual circumstances, a make-up exam may be arranged. This highly unlikely occurrence will be at the totally arbitrary discretion of your professor. If more than one exam is missed, a grade of zero (0) will be retained for the other missed exam(s). You may drop the lowest of your exam scores. If you opt out of the final exam, the average of the first three exams will be used to substitute for the score of the exam. If you take the final exam, that score can be used to replace the lowest score from the earlier exams.

Grades in this course are determined by applying the following scale to a student's weighted average:

90 – 100	A
80 – 89.99	B
70 – 79.99	C
60 – 69.99	D
Below 60	F

Non-quantitative factors such as class participation, improvement on examinations, rank in class, bribery (not really—just wanted to see if you are paying attention), or other extenuating factors may also be considered in the grading process.

ATTENDANCE: Regular class attendance is necessary to do well in this course and attendance will be taken during each class period. A seating chart will be circulated at the beginning of the second class period. Your seat at that time will become your permanent seat. This will help me learn your names more quickly and help you learn your classmates' names.

Steps to making a good grade:

1. Attend class pro-actively.
2. Complete assignments on time.
3. Ask questions as necessary.
4. Allocate enough time in your work schedule to accommodate Steps 1, 2, and 3.

That's it! That's all there is to it! However, some of you will not be able to follow these four simple steps. If you cannot, save your money and drop this course, NOW!

HOMEWORK: There will be a series of homework assignments that will concentrate on some of the more quantitative portions of the course. These will be due in-class at the beginning of each class period for which they have been assigned. Although it is probably best if you work on these problems independently, for purposes of grading you may submit assignments on a group basis. You will also be required to prepare a written analysis of the financial statements of a specific corporation and then present your results to the class.

OTHER COMMENTS:

- Students are expected to take off their caps, hats, or other headgear while in class.
- Eating and drinking are strictly prohibited in the classroom.
- I expect you to be respectful and courteous to others. Pagers, cellular telephones, and anything else that rings, beeps, boops, or otherwise disturbs the class and/or your instructor should be disabled for the duration of the class.
- During class, you may use your computer only for class-related activities. These include activities such as taking notes on the lecture underway or following the lecture on the PowerPoint slides provided on Blackboard. If you use your computer in ways that are deemed disruptive by your classmates or your instructor, you will be asked to turn the computer off.

- We will foster a high degree of academic integrity in this course. Any unauthorized copying or exchanging of information, including plagiarism and collusion, will be dealt with appropriately.

AMERICANS WITH DISABILITIES ACT: SHSU adheres to all applicable federal, state, and local laws, regulations, and guidelines with respect to providing reasonable accommodations for students with disabilities. If you have a disability that may affect adversely your work in class, then I encourage you to register with the SHSU Counseling Center and to talk with me about how I can best help you. All disclosures of disabilities will be kept strictly confidential. NOTE: No accommodation can be made until you register with the Counseling Center.

STUDENT ABSENCES ON RELIGIOUS HOLY DAYS POLICY: Section 51.911(b) of the Texas Education Code requires that an institution excuse a student from attending classes or other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. A student whose absence is excused under this subsection may not be penalized for that absence and shall be allowed to take an examination or complete an assignment from with the student is excused within a reasonable time after the absence. University policy 861001 provides the procedures to be followed by the student and instructor. A student desiring to absent himself/herself from a scheduled class in order to observe (a) religious holy day(s) shall present to each instructor involved a written statement concerning the religious holy day(s). This request must be made in the first fifteen days of the semester or the first seven days of a summer session in which the absence(s) will occur. The instructor will complete a form notifying the student of a reasonable timeframe in which the missed assignment(s) and/or examination(s) are to be completed.

TENTATIVE COURSE OUTLINE

<u>Date</u>	<u>Coverage</u>
6/3	Introduction; Review of GAAP (Ch. 1)
6/4	Overview of financial statements (Ch. 2); Assignment of project companies
6/5	Review of balance sheet (Ch. 3); Overview of Research Insight
6/6	Review of income statement (Ch. 4); Review of cash flow statement (Ch. 10a)
6/8	Components of financial statement analysis (Ch. 5)
6/10	Exam 1 (Chapters 1–5; 10a)
6/11	Analysis of liquidity (Ch. 6)
6/12	Analysis of liquidity (Ch. 6)
6/13	Expanded analysis (Ch. 11a); Interim project report (Research Insight data)
6/16	Cash flow statement (Ch. 10b)
6/17	Cash flow statement (Ch. 10b)
6/18	Exam 2 (Chapters 6, 10, 11a)
6/19	Analysis of debt-paying ability (Ch. 7)
6/20	Analysis of debt-paying ability (Ch. 7)
6/23	Analysis of profitability (Ch. 8)
6/24	Analysis of profitability (Ch. 8)
6/25	Investment analysis (Ch. 9)
6/26	Other topics (Ch. 11b); Special financial statements (Ch. 12-13)
6/27	Exam 3 (Chapters 7-9, 11b, 12-13)
6/30	Written projects due; Presentations
7/1	Final exam

FIN 432 Financial Statement Analysis Project (Summer 2008)

1. Gather the relevant data on the company and industry. There will be an interim deadline (**Friday, June 13, 2008**) in which you will provide copies of your company's most recent annual report and the appropriate Research Insight ratios for your firm and the industry. (An email with attachments is sufficient and preferred). This submission is worth 20% of the total project grade.
2. Complete a short written report and analysis of your company that includes the following:
 - A short description of who the company is and what it does, as well as some of the key accounting methods it employs that might affect one's analysis of the financial statements.
 - A brief vertical and horizontal analysis of the company's balance sheet and income statement from both a trend and cross-sectional perspective.
 - A brief assessment of the company's statement of cash flows for the past three years.
 - A brief evaluation of the company's liquidity position. Assess the appropriate ratios (from Research Insight) from both a time series and a cross-sectional perspective. Include an analysis of the company's Altman Z-score.
 - A brief evaluation of the company's long-term debt-paying ability. Assess the appropriate ratios (from Research Insight) from both a time series and cross-sectional perspective.
 - A brief evaluation of the company's profitability and investor perspectives of the company. Assess the appropriate ratios (from Research Insight) from both a trend and a cross-sectional perspective.

The final report, which is due on **Monday, June 30, 2008**, should begin with a one-page executive summary highlighting the good, the bad, and/or the ugly about the company. Include a recommendation of whether or not to provide the company with additional financial capital, either as an investor in the company's debt or as a lender/creditor. The executive summary should be followed by your written analysis following the guidelines above. Include an appendix that incorporates the key data you used to make your analysis (e.g., financial statements, financial ratios, etc.). The report is worth 60% of the total project grade.

3. Present a short summary of your results to the class (presentations are scheduled for **Monday, June 30, 2008**). You should submit a copy of your Powerpoint presentation to the instructor via email (or other electronic means) no later than 11:00 a.m. on presentation day. The presentation is worth 20% of the total project grade.