

SAM HOUSTON STATE UNIVERSITY
COLLEGE OF BUSINESS ADMINISTRATION
Department of General Business and Finance

Course Syllabus

Fall 2007

- COURSE NUMBER:** Finance/Accounting 432
8:00 a.m. MW
- COURSE TITLE:** Financial Statement and Credit Analysis
- PREREQUISITES:** Finance 367
- INSTRUCTOR:** Dr. Leroy Ashorn
- OFFICE:** SHB 103D
- OFFICE HOURS:** Daily (excl. Friday): 1:30 - 2:30 p.m.
Tuesday and Thursday 9:00 -10:00 a.m.
or by appointment
- REQUIRED TEXTS:** *Financial and Reporting and Analysis: Using
Financial Accounting Information*, by Charles H.
Gibson, Tenth Edition.
- SUPPLEMENTAL TEXTS:** None
- COURSE DESCRIPTION:** 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:**
- Students will have learned:
1. To develop creative capacities.
 2. To acquire skills in working with others as members of a team.
 3. To find and use resources for answering questions or solving problems.

4. To acquire an interest in learning more by asking questions and seeking answers.
5. Fundamental principles, generalizations, and theories; specifically:
 - a. To demonstrate knowledge of the development of financial statements, GAAP, and other financial reporting topics.
 - b. To demonstrate knowledge of the elements of a balance sheet and the significance of each to financial and credit analysis.
 - c. To demonstrate knowledge of the elements of an income statement and the significance of each to financial and credit analysis.
 - d. To demonstrate knowledge of and an ability to apply to apply the basics of financial analysis, including common-size statements, year-to-year change, and comparisons.
 - e. To demonstrate knowledge of and an ability to apply various analytical tools, especially ratios, to short-term assets and debt-paying ability.
 - f. To demonstrate knowledge of and an ability to apply various analytical tools, especially ratios, to long-term debt paying ability.
 - g. To demonstrate knowledge of and an ability to apply various analytical tools to firm profitability.
 - h. To demonstrate knowledge of and an ability apply tools to the analysis of financial statements for the benefit of the investor.
 - i. To demonstrate knowledge of the construction and analysis of a statement of cash flows.
 - j. To demonstrate a knowledge of and an ability to apply financial analysis tools in special situations and for different types of users.
 - k. To demonstrate an ability to apply all of the financial analysis tools to the solution of cases and problems.

COURSE EVALUATION PROCESS:

Course averages are determined on the following basis:

48% -- three (3) major examinations (16% each exam)

30% -- comprehensive final exam

12% -- grade on cases and presentations.

10% -- Spreadsheet

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

>89.5 = A

79.5 - 89.4 = B

69.5 - 79.4 = C

59.5 - 69.4 = D

<59.5 = F

Student Syllabus Guidelines: You may find online a more detailed description of the following policies. These guidelines will also provide you with a link to the specific university policy or procedure:

<http://www.shsu.edu/syllabus/>

Academic Dishonesty: Students are expected to maintain honesty and integrity in the academic experiences both in and out of the classroom. *See Student Syllabus Guidelines.*

Classroom Rules of Conduct: Students are expected to assist in maintaining a classroom environment that is conducive to learning. Students are to treat faculty and students with respect. **Students are to turn off all cell phones while in the classroom.** Under no circumstances are cell phones or any electronic devices to be used or seen during times of examination. Students may tape record lectures provided they do not disturb other students in the process.

Student Absences on Religious Holy Days: Students are allowed to miss class and other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. Students remain responsible for all work. *See Student Syllabus Guidelines.*

Students with Disabilities Policy: It is the policy of Sam Houston State University that individuals otherwise qualified shall not be excluded, solely by reason of their disability, from participation in any academic program of the university. Further, they shall not be denied the benefits of these programs nor shall they be subjected to

discrimination. Students with disabilities that might affect their academic performance should visit with the Office of Services for Students with Disabilities located in the Counseling Center. See *Student Syllabus Guidelines*.

Visitors in the Classroom: Only registered students may attend class. Exceptions can be made on a case-by-case basis by the professor. In all cases, visitors must not present a disruption to the class by their attendance. Students wishing to audit a class must apply to do so through the Registrar's Office.

ATTENDANCE POLICY:

Attendance in this class is expected as is stated in the latest Sam Houston State University catalog. Those who miss a substantial number of classes will penalize themselves by missing material that will be discussed in class, that may not appear in the text, and over which the class will be tested. If a student arrives late for class and the roll has been taken, it is the responsibility of the student to notify the instructor at the end of **THAT PERIOD** that he/she arrived late and was not absent.

NO FOOD OR DRINKS ARE ALLOWED IN THE CLASSROOM AT ANY TIME. Also, caps and hats are not to be worn in the classroom.

COURSE OUTLINE:

<u>Date</u>	<u>Chapters and Topics</u>
08/20	Introduction of course
08/22	2 – Introduction to Financial Statements.
08/27	P 1-5, Q 2-12, Q 2-22, P 2-7, P 2-8, P 2-9, Cases 2-1 and 2-2 Last day to register and change schedules.
08/29	3 - Balance Sheet.
09/03	Labor day holiday for students and faculty
09/05	Q 3-12, Q 3-13, Q 3-18, P 3-4, P 3-11, Cases 3-2 and 3-6. 12 th class day. Last day to drop without "Q" and to receive 100% refund.
09/10	4 - Income Statement
09/12	Q 4-4, Q 4-15, P 4-14, Cases 4-5 and 4-6
09/17	5 - Basics of Analysis
09/19	Q 5-5, Q 5-6 Q 5-9, Q 5-14, Q 5-16, P 5-1, P 5-2, To The Net, Chapter 5 Web Case

09/24	Exam 1 – Chapters 1 – 5 in class and take-home portion due.
09/26	6 - Liquidity of Short-Term Assets; Related Debt-Paying Ability.
10/01	Q 6-1, Q 6-2, Q 6-14, Q 6-15, Q 6-17, Q 6-20, Q 6-22, Q 6-33, P 6-2, P 6-9, P 6-9. Financial Tools.
10/03	7 - Long-Term Debt-Paying Ability Q 6-8, Q 6-28, Q 6-40, P 6-1, P 6-12, P 6-20, Chapter 6 Web Case
10/08	7 - Long-Term Debt-Paying Ability. Last day to drop without grade of "F".
10/10	Q 7-1, Q 7-2, Q 7-6, Q 7-7, Q 7-10, Q 7-14, Q 7-15, Q 7-17, Q 7-20, Q 7-24, Q 7-25, Q 7-31, P 7-5, P 7-6, P 7-7, Cases 7-2 and 7-3, Chapter 7 Web Case. Financial Tools.
10/15	8 - Profitability
10/17	Q 8-1, Q 8-2, Q 8-3, Q 8-5, Q 8-6, Q 8-9, P 8-1, P 8-11. Financial Tools.
10/22	P 8-7, Case 8-1, Case 8-4, Chapter 8 Web Case
10/24	Exam 2 – Chapters 6 - 8 in class and take-home portion due
10/29	9 - For the Investor.
10/31	Q 9-4, Q 9-5, Q 9-9, Q 9-10, Q 9-13, Q 9-14, P 9-2, P 9-5, P 9-10, Case 9-3, Case 9-5, Chapter 9 Web Case. Financial Tools.
11/05	10 - Statement of Cash Flows
11/07	Q 10-1, Q 10-2, Q 10-5, Q 10-9, Q 10-11, Q 10-13, Q 10-15, P 10-1, P 10-3, Cases 10-1 and 10-4
11/12	Case 10-6, Chapter 10 Web Case and 2 cases to be assigned. Financial Tools.
11/14	Financial Forecasting
11/19	11 – Expanded Analysis.
11/21 – 11/25	Thanksgiving Holidays
11/26	P 11-1, P 11-2, P 11-3, To the Net 1 and 2. Financial Tools.
11/28	12 - Special Industries.
12/03	13 - Personal Financial Statements. Spreadsheets due by 5:00 p.m.
12/05	Exam 3 - Chapters 9 – 13 in class and take-home portion due.
12/10	Final Exam – 8:00 a.m.
12/15	Commencement

Credit Analysis Spreadsheets

These group projects will be spreadsheets that will allow the analysis of a set of financial statements using ratios, common-size statements, cash flows, and forecasts of financial requirements.

The spreadsheet should provide an area to input a set of financial statements and other financial information, including industry averages, necessary to do the analysis. The basic format should be generic enough to allow any statements to be entered.

The spreadsheet should then calculate the necessary ratios (as many as are appropriate or needed to successfully evaluate a firm) and make the comparison to the appropriate industry averages, an indication of the direction of the deviation, and an indication of the significance of that deviation (good, bad, how much, etc.).

The next part of the spreadsheet should calculate a cash flow statement using the indirect method. This is necessary for the cases where a nonpublic firm submits only income statements and balance sheets.

We will discuss these parts during the semester to aid you in the preparation of the final product.

The final version of the project will be due on **December 3 by 5:00 p.m.** (earlier submission is permitted).