

**NEW YORK UNIVERSITY
LEONARD N. STERN SCHOOL OF BUSINESS**

Financial Statement Analysis
GB 2303.00

Saturday 9:00 a. m. – 12:00 p.m.
Spring 2016

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Office Hours: By Appointment

Required Materials:

Wahlen, Baginski, & Bradshaw - Financial Reporting, Financial Statement Analysis, and Valuation - 8th Edition

Course Objectives:

1. To understand how to interpret and analyze financial statements effectively from a user's perspective.
2. To supplement the course material with practical applications which illustrate the above.

Group Project:

Groups may be 4 to 6 people. Each group will choose a publicly traded manufacturing, merchandising (retailing), pharmaceutical, etc. firm and analyze its financial statements for the past two years. The analysis should cover the relevant topics discussed during the course and will be handed in (typed) and presented in class toward the end of the term. More details will be given as the semester progresses.

Assignment/Grading:

There are reading and problem assignments for each class. Please bring the textbook to class as it will be utilized. The problem assignments should be written out in outline form, and you should be prepared to discuss them in class or hand in your answers if requested. As we will cover a great deal of material in the class sessions, your attendance will be critical to keep current and be prepared for the exams and Group Project.

The grading in the course will be based on the following:

| | |
|----------------|-----|
| Midterm: | 50% |
| Group Project: | 50% |

If you believe that an exam has been incorrectly graded, you must submit and hand in to me a written request within 7 days of the announcement of grades, including a brief written statement identifying what may have been incorrectly graded and why you believe that an error in grading has been made. Requests made after that will not be considered. Please note that the entire exam will be re-graded. Only exams written in pen will be considered for re-grade and no crossed out or erased answers will be considered for re-grading. Exams that have been or are suspected of being altered for the purpose of re-grading will not be re-graded and the Student Disciplinary Committee will be notified.

Class Attendance/Participation:

As we will cover a great deal of material in the class sessions (which may include material not covered in the readings and/or homework), your attendance will be critical to keeping current and being prepared for the exams.

Active participation in class could favorably reflect upon your grade; particularly in those situations where the average of your Midterm exam and Group Project is between two grades.

Class attendance is mandatory (a class attendance sign – in sheet will be circulated at each class) and will only be excused for a documented serious illness, family emergency, religious observance or civic obligation. With respect to your absence, you must email me informing me of such in advance except for serious illness and family emergency where you should email me as soon as possible if you cannot do so in advance. You should expect that attendance will be taken. If you have unexcused absences, you should expect that such will result in you receiving a lower overall grade than the results of your Midterm exam and Group Project scores calculate to.

Students are expected to arrive to class on time and to stay to the end of the class period. Further, it is expected that students will conduct themselves with respect and professionalism toward faculty and students in class. Accordingly, disruptions such as talking to other students, texting and connectivity to the Internet via laptops, I – pads, cell phones or other electronic devices are not permitted as they are a distraction to everyone. To comply with such, please turn off these devices prior to the start of class with the only exception being the use of your laptop or I - pad to take class notes or review homework assignments. In this regard, I know I can count on your compliance; however, I reserve the right to disallow the use of any electronic device by individuals who do not comply.

NYU Classes:

Course announcements will be made on NYU Classes or via e-mail to your Stern account only. Solutions to homework assignments will be posted to NYU Classes. It is your responsibility to check NYU Classes and your email frequently to ensure that you do not miss any important announcements (e.g.; due dates for homework submissions, etc.) or posting of documents.

E-mail Policy:

Initially, you should submit your questions via email to the Teaching Assistant (if the section is assigned one) who will reply to you with a copy to me. I will review the TA's email response to you and if needed, I will supplement the e-mail. Your email to the TA must include a subject, and your name clearly identifying yourself as my student. If there is no TA, then you should email me directly. If there is no TA, you should email me directly. Please ensure that your e-mail queries are self – contained and detailed and can be answered in a reasonably short way. Also, unless your question is specific to a particular problem in the readings or a homework assignment exercise/problem, please pretend that we are with no books or documents in sight when we receive your email or we may not be able to appropriately answer you.

Honor Code:

As is true for all courses at Stern, adherence to the Stern Student Code of Conduct is required of all students in this course. Students may not work together on graded assignments and exams unless the instructor gives express permission.

| DATE | <u>ASSIGNMENT SCHEDULE</u> | |
|----------------|---|------------|
| | TOPICS/READINGS | ASSIGNMENT |
| Week 1 - 2/13 | Chapter 1 – Overview of Financial Reporting, FSA & Valuation | TBD |
| Week 2 - 2/20 | Chapter 2 – Asset & Liability Valuation & Income Recognition | TBD |
| Week 3 – 2/27 | Chapter 3 – Income Flows vs. Cash Flows | TBD |
| | Chapter 4 – Profitability Analysis | TBD |
| Week 4 – 3/5 | Chapter 5 – Risk Analysis | TBD |
| Week 5 – 3/12 | Review latest 10k filing for The Gap | N/A |
| Week 6 – 3/19 | NO CLASS | |
| Week 7 – 3/26 | Chapter 6 – Accounting Quality | TBD |
| | Chapter 7 – Financing Activities | TBD |
| | MIDTERM DUE | |
| Week 8 – 4/2 | Chapter 8 – Investing Activities | TBD |
| | Chapter 9 – Operating Activities | TBD |
| Week 9 – 4/9 | Guest – Analyst Presentation | |
| Week 10 – 4/16 | Forensic Review of a Fraudulent F/S | |
| Week 11 – 4/23 | Chapters 10 – 14 – Selected discussion by Professor from these chapters | |
| Week 12 – 4/30 | Group Project Presentations | |
| Week 13 – 5/7 | Group Project Presentations | |

GROUP PROJECT PRESENTATION

Your Group Project Presentation should include a discussion of the following:

1. Review the Balance Sheets and discuss in detail the possible reasons for significant items and/or trends.
2. Review the Income Statements and discuss in detail the possible reasons for significant items and/or trends.
3. Review the Statements of Cash Flows and discuss in detail the possible reasons for significant items and/or trends.
4. Analyze key Financial Statement Ratios and discuss in detail the possible reasons for significant items and/or trends.
5. Assess short-term liquidity risk.
6. Assess long-term solvency risk.
7. Assume that you are a Wall Street financial analyst. Based on the above, would you recommend the purchase of the Company's common stock to conservative investors? Would you recommend the stock to aggressive/growth oriented investors? Explain the reasons for your recommendations.
8. Assume you are a Senior Lending Officer for a bank. Based on the above, would you lend the Company funds and if so, under what general terms (e.g.; amount, maturity date, interest rate, covenants, etc.)?
9. Assume you are the Company's independent external auditor. In reviewing the Company's Balance Sheets, what accounts would you place audit emphasis on and why?
10. Assume you are a management consultant. Based on the above, what recommendations would you make to the Company's management team to improve the Company's performance and profitability.