

Financial Statement Analysis: ACCT-UB.0003
Fall 2013– Tuesdays and Thursdays 9:30 A.M. – 10:45 A.M.
Tuesdays and Thursdays 11:00 A.M. – 12:15 P.M.
Tuesdays and Thursdays 2:00 P.M. – 3:15 P.M.

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K-MEC 10-93
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OFFICE HOURS:
Wednesday 1-2 PM;
Friday 12:30-1:30 PM

Course Objectives

This course is designed to prepare you to interpret and analyze financial statements effectively. This course explores in greater depth financial reporting topics introduced in the core course in financial accounting and also examines additional topics not covered in that course. The viewpoint is that of the user of financial statements. This course is designed primarily for students who expect to be intensive users of financial statements as part of their professional responsibilities.

The pre-requisites for this course are the core course in financial accounting. We will do a quick review of financial accounting in the first 2 classes, but I will assume you have a strong working knowledge of this class. If not, I suggest you go back to your class notes (hopefully you kept them) and do a review on your own.

Course Materials

- Please pick up your booklet with all of the power point slides. The slides are printed with 2 on a page. If you prefer a different format, the slides will be on NYUClasses and you may print them out.
- I do not use a textbook. NYUClasses contains (1) power point slides, (2) homework problem sets, and (3) other handouts that will be used throughout the term. Please see this syllabus for details on these handouts.
- The syllabus also contains links to materials that you may find useful.
- If you would like a book, I can recommend two:
 - Easton, McAnally, Sommers, and Zhang, “Financial Statement Analysis & Valuation,” Cambridge Business Publishers, 3rd Edition.
 - Wahlen, Baginski, and Bradshaw, “Financial Reporting, Financial Statement Analysis, and Valuation,” Southwestern Publishing, 7th Edition.
- Note, these two books are not required, but you might find them helpful. I used the Wahlen, Baginski, and Bradshaw in the past.

Important!!!

- **Other course materials will be on NYUClasses. We will be looking quite a bit at, Facebook, Apple, Amazon, and Groupon. All four filings (and excerpts)**

are on NYUClasses. The filings will be under Resources. You need to print out these documents and to bring them to class. We won't be using them every class, but I suggest you bring them nevertheless.

- The solutions to all cases that we do in class will be in NYUClasses – however, they will not “pop up” until class.
- There will also be some homework problems and solutions on line that you might want to try as we move along.

Grading

Grading will be based on the following weights:

Midterm 1	25%
Midterm 2	30%
Conference Call Question	5%
Final Exam	40%

All exams are open book and open note. All exams are cumulative, but there will be an emphasis on the more recent material covered in class. You may bring a calculator to class as well. No phones or computers or other electronics may be used. The final exam will be based on an actual 10-K report that I will hand out in class on December 9th. You may bring that report into the final exam room.

Course Policies

Attendance

I do not take attendance. However, under the guidelines of the Stern School, class attendance is part of a student's grade. If you miss a class, it is your responsibility to make it up.

Late Arrivals and Leaving Early

I would appreciate it if you could arrive in class on time. If you are late, please enter the class w/o disrupting the other students. Similarly, if you need to leave class early, please do it as quietly and inconspicuously as possible.

Computers in Class

I allow computers in class only to access the documents that we will be using. Otherwise, please put them away.

Cell Phones and Text Messaging

Unless you are expecting an urgent message, please turn off your cell phones and other messaging devices.

Requests for Re-grading

If you would like me to look over your exam, please do the following. On the cover page of the exam, please write down the question(s) you would like for me to look over. Hand in the exam to me. I will look it over and give it back to you in another class.

Stern Honor Code

You must abide by the Stern honor code. I take cheating on exams very seriously, and have called out students in the past for suspected cheating.

Syllabus

September 3: Introduction to Course: What is Financial Statement Analysis?

Learning Objectives:

1. Overview of financial reporting and financial statement analysis
2. Understand most effective means of mastering course

Read: I hope you kept your financial accounting book and notes. Peruse through this book and remind yourself how the accounting system works and how the financial statements look like.

Homework: Continue reading through the Target Case. Try to answer as many questions as you can. We will finish this case in the next class.

September 5: Overview of Financial Reporting

In class: Target Case

September 10 & 12: Balance Sheet Analysis – Asset Analysis

Read for 9/12 Class: Handout on Changing LIFO to FIFO on NYUClasses

In class (9/12): ConocoPhillips vs. Exxon Mobil

Homework: Additional LIFO-FIFO problem

September 17 & 19: Income Statement Analysis

In class (9/19): “Analysis of Warranty Accrual Reveals Margin Issues”

September 24 & 26: Income Taxes

Read: Power Point slides from class

For those interested in all of the nuts and bolts, http://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/USEng/Documents/Deloitte%20Periodicals/Roadmap%20Series/Roadmap_AccountingForIncomeTaxes.pdf is a handy guide. It is way beyond what we will do in this class, however.

In class (9/26): Apple Tax Case

Homework: Amazon Tax Case

October 1 & 3: Pro-forma Earnings

In class (10/1): Facebook 8-K Report.

In class (10/3): General Mills - I strongly suggest you give this a shot as it is difficult to do otherwise.

Homework: Brown Shoe Pro-Forma Case

October 8: Review and Catch-up

October 10: Midterm 1

October 17 & 22 & 24: Statement of Cash Flows

October 17 & 22: Creating a Statement of Cash Flows

Homework: Do the SCF for 2012 in the hand-out.

October 24: Patterns of Cash Flows & Analyzing SCF

In class (10/24): Analyzing several cash flow statements

October 29: Investments in Other Companies

In class: CocaCola

Homework: Homework on Investments
PepsiCo

October 31 and November 5 & 12: Profitability Analysis - Using ROA and ROCE

Read: http://en.wikipedia.org/wiki/Financial_ratio; the one exception is ROA in which the numerator should read [Net Income from Continuing Operations + (1-T)*Interest Expense]. Use this for the ROA DuPont equation as well.

In class (11/12): Lehman Brothers Case. This is a great illustration of why Lehman went bust.

Homework on ROA and ROCE Analysis: Calculate the ratios for Amazon and Apple.

November 14: Review and Catch-up

November 19: Midterm 2

November 21 & 26: Risk Analysis

Read: http://en.wikipedia.org/wiki/Financial_ratio;

In class: Clorox (Note: print out and bring in the Clorox 2008 and Clorox 2010 financial statements – on NYUClasses)

December 3 & December 5: Equity Analysis

In class (12/3): WalMart

In class (12/5): Facebook, Apple, and Amazon

December 10: Visit from Outside Analyst ** (Important, to accommodate all three classes, this class will be held during the lunch break only)

Anthony DiClemente from Barclay's Capital's Equity Research will be discussing a firm during lunchtime today. I've reserved a room for 150 students from 12:30 until 1:45 PM. To prepare for his visit, you should do the Hand-in problem below. It's organized along the principle that you are an analyst for a brokerage house on a conference call with that company's management. Prior to the call, you have access to their latest 10-Q filing. Based on that filing (and perhaps other things you might want to research), you will be allowed to ask one FSA-type question. What will this question be?

Hand-in: Conference Call Question on Firm (This hand-in counts towards your final grade): See NYUClasses for more details. Note: Please hand in a copy of your question at 12:30. I will NOT accept your hand-in after 12:30 PM. On top of the page, please put your name and Section. LATE OR E-MAILED HAND-INS WILL NOT BE ACCEPTED AND WILL RESULT IN A ZERO GRADE.

December 10: I will hand out the 10-K report for the final exam

December 12: Questions on 10-K Report and Review for Final Exam

Final Exam: December 17

9:30 Class is from 8 AM – 9:50 AM

11:00 Class is from 10 AM – 11:50 AM

2:00 Class is from 2 PM – 3:50 PM