Dr. H. Drew Fountaine, CPA MBA

ACCT 665

Financial Statement Analysis

Fall 2016

Fridays, 1:00 p.m. – 5:00 p.m.

Malibu

SYLLABUS
Financial Statement Analysis
665.15
Fall, 2016

Days/Class times:  Fridays, 1:00 p.m. – 5:00 p.m.
Location: Malibu
Professor’s Name: Dr. H. Drew Fountaine, CPA MBA
E-mail address: drew.fountaine@pepperdine.edu

(Guaranteed 24 hour response to emails, usually much quicker. If you do not get
a reply from me within 24 hours, I didn’t get your email. Please resend it!)

Course Description
This course focuses on methods used when performing financial analyses related to a company's
profitability, risk, liquidity, and market value, and demonstrates the techniques employed to
forecast future earnings and cash flows based on past performance. The course also discusses the
influence that financial reporting and disclosure policies have on managerial decision-making.
Topics of current interest, especially those related to financial statement fraud and corporate
governance, may also be discussed. Prerequisites: Graduate student status or permission of
instructor.

Course Objectives and Learning Outcomes
This course will reinforce and build upon students’ existing accounting skillset, extending that
knowledge to the application of high-level analyses and evaluation of firms and expectations for
their future. Ratio analysis, equity investment analysis, and firms’ overall financial positioning
within their external environment will be formulated, integrated, and analyzed to assess and
critique their efficacy and expectations for success or failure. Fundamental accounting tenets will
be reinforced and emphasized as the basis for such assessments and critiques throughout the
course. Firms’ operating, financing, and investment activities will each be highlighted in
isolation and then assimilated into holistic appraisals and critiques of those firms. Profitability
analyses, return on capital, and equity valuation methods will be utilized to assess firms’ value.

Learning formats will include lecture, in-class exercises, projects, and individual as well as
group work.

Specific course learning objectives include:
- Demonstrate high-level understanding of accounting concepts to assess firm value
- Analyze financial performance and identify underlying reasons and trends
- Interpret and integrate data in the context of multiple disciplines and the firm’s external
  environment
- Evaluate multiple financial metrics to make recommendations for improvement
- Formulate assessments and projections of future firm performance
- Detect elements of financial reporting that indicate potential management malfeasance
- Integrate IFRS versus U.S. GAAP and comparative impacts on reported numbers
- Produce clear, persuasive analyses in written and presentation formats
- Integrate course material with related current world economic and financial events
- Generate all of the above effectively as an individual or in groups
- Perform all course activities utilizing exemplary professional standards and integrity
Required Text, Journal, and Calculator


HP 10bII financial calculator
(I realize, in the real world, you would have access to Excel or similar tools on your cellular telephone, but computers and all other communication devices are prohibited in my exams. This tool costs about $20 online and is quite handy, anyway.)

Grading
Examinations (2)-45%; homework and WSJ-20%; project and group evaluation-20%; in-class projects and participation-15%

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<th>% Score</th>
<th>Letter Grade</th>
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<td>90-93.99%</td>
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<td>0-59.99%</td>
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Letter grades will be awarded based on relative performance within the class (curved) in accordance with University policy. Historically, the main reasons for disappointing grades have been failure to keep up with the reading, poor class attendance, and failure to keep up with the homework – resulting in poor performance on exams.

It is important that you come to class prepared. You are expected to participate effectively in discussions. The reading assigned for a day, along with the assigned homework problems, should be completed before class. On average, you should allow at least two hours of preparation time for each hour of class time. In individual cases, more or less time may be required.

Attendance Policy
Attendance at all class meetings sessions is expected. Failure to attend the first class in its entirety is cause for dropping a student from the course. Assignments may be given at each class and be due at the next class. I recommend that you exchange phone numbers with other students. If you miss a class, these other students, as your partners, can update you on assignments and other materials missed due to your absence. The nature and complexity of this course, and its structure, require consistent attendance and preparation, and that the student “keep-up” with the coursework. Failure to do these things will result in deteriorating performance across all
performance metrics. If you miss two classes, you will lose one letter grade in the class. For each additional class you miss, you will lose one additional grade.

Class Format
A chronological listing of topics and chapters to be covered, and examination dates, is included with this syllabus. This timeline is a guide only and **the professor reserves the right to modify the class schedule.**

Classes will generally include review/self-correction of homework assigned at the previous class, presentation/lecture of new material (including in-class exercises and in-class group projects), followed at the end of most sessions with discussion of current events relating to course topics. Students should read chapters prior to their scheduled discussion date and are strongly encouraged to engage in class discussions, contributing their unique knowledge, background, and ideas for the benefit of the group. My goal is a fully-participatory classroom environment.

Homework
Homework, which may include chapter problems or other outside-of-class assignments, will be due as shown on the schedule of classes (or as otherwise indicated) and will be randomly collected for scoring at unannounced intervals at the professor’s discretion. All assignments should be available in hardcopy for collection at the beginning of each class unless other arrangements are made. Late homework will not be accepted, sloppy homework will not be scored. Each homework assignment will be assigned a value ranging from 1 to 5 based on accuracy, completeness, effort, and clarity/neatness. Homework should be computer generated (i.e., Excel) since familiarity with spreadsheets is critical to success in the business world. Handwritten homework will receive an automatic two (2) point deduction (3 points maximum possible), incomplete homework will receive an automatic two (2) point deduction (3 points maximum possible). (This means incomplete AND handwritten homework earns a maximum score of 1.) Homework must be submitted in the order of assignment, and clearly numbered to receive full credit. Homework is an individual effort. Duplicate homeworks will receive a score of 0, plagiarized homework will be handled in accordance with University policies on academic dishonesty, including possible expulsion from this course and a grade of F.

Project
We will form small student groups to analyze selected companies using tools learned in this course. Each group will select a company failure such as Enron, WorldCom, Global Crossing, Bear Searns, etc, and explain both what happened and how it could have been detected and prevented. Groups will present their findings and conclusions at our last class, and write a short narrative summarizing the same with appendices as appropriate. Although it will not be necessary to spend money making the written narrative pretty, it will be necessary to ensure a professional, businesslike appearance (including manner of presentation with tables, etc., and also clear formatting, proper syntax, and other associated writing and presentation skills).

Narratives should be brief, but complete, and must directly correlate to the verbally presented materials. Narratives will be no longer than 3 pages, and prepared with 12 point double-spaced Times New Roman font, have one inch margins, and APA style references (references and tables are not included in the page limitation). **Deviations from the formatting requirements will cause grade reduction.** For the presentation, visual aids are critical (e.g., PowerPoint), and effective presentation (**content, clarity, appearance**) will be essential to achieve a top score. Student appearance, as well as project appearance, will be considered.
Presentation length should be approximately 15 minutes (considerable variance from this length will cause grade reduction). Substandard grammar, spelling, syntax, etc. in either the written summary or the presentation, and/or lack of professional, effective verbal/visual conveyance of findings in the presentation will cause grade reduction. Each group should allow for a moment of Q&A following its presentation.

**Group Formation and Self-Evaluations:** Groups will submit group evaluations, counting for 5% of the course grade. Groups will allocate percentage points (in whole numbers) among their members at their discretion. Specifically, each group will receive 5 points per member for each evaluation to allocate among themselves at their group’s agreement (a prescribed form will be provided for this purpose). This is meant to provide groups with internal incentive to encourage each other’s participation, and reward it (note that this represents a potential 10% range in an individual’s grade for the group evaluation).

Point allocations, signed by all group members, must be submitted together with a presentation PPT outline (six per page slides) immediately prior to each group’s presentation. While groups are encouraged to resolve their own differences, as the professor believes collaboration and problem resolution has educational value, the professor stands ready to assist at any time. If insurmountable group problems exist, the professor should be contacted expeditiously for (non-judgmental) resolution assistance (emphasis on expeditiously). Last-minute “issues” will not be correctable. In extreme circumstances, groups can “fire” members for non-participation (under instructor guidance ... note that being fired from a group eliminates a considerable portion of the possible course grade and significantly diminishes any hope of passing the course).

**Wall Street Journal Write-ups**

Short individual writings (100 to 150 words) connecting course content to a current Wall Street Journal article (or other publication explicitly approved by the professor with the student) will be due accompanying the homework of several chapters as shown in the schedule of this syllabus. Writings must include the following to receive full credit; publication name, date and title of article, explanation of how the article’s content connects to our course, and a short summary of the article’s contents/meaning. These writings will be scored sporadically during the semester for credit at the professor’s discretion (same as homework). The class participation component of the course grade may be impacted by students’ willingness to share their article with the class. Industry-specific journals relating directly to students’ gainful employment or aspirations are encouraged – but must be approved in advance.

**Examinations**

Examinations will consist of any combination of true-false, multiple-choice, and problems based on theoretical and practical aspects of the covered topics. Examinations will be drawn from class exercises, homework and groupwork, and class discussions. (Examinations are individual efforts. Refer to Pepperdine University’s policy on academic dishonesty for consequences should plagiarism be detected.) A non-programmable calculator will be necessary for each exam. Programmable calculators, cellular telephones, PDAs, and any other electronic devices will not be permitted during exams and will result in dismissal from, and an F on, that exam.

During examinations, desks must be clear of all items except the examination, related materials, and a non-programmable calculator.
Make-up Exam Policy
Make-up exams without penalty are offered in the event of serious illness requiring unscheduled overnight hospitalization of the student, spouse or children, or in the event of death in the immediate family or other similar reasons. Supporting documentation (e.g. doctor’s letter) will be required. At the professor’s discretion, make-up for examinations may consist of non-exam assignments or may be delayed until a future trimester, which will result in a delay of the awarded grade.

Make-up exams or assignments for other reasons are not normally offered, and are not offered at all for homework, missed groupwork, or Wall Street Journal write-ups. In the event the professor grants a make-up for an examination for other reasons than illness requiring unscheduled hospitalization or death:

- The grade will not be curved and will follow the Pepperdine University guideline
- The make-up must be taken in the week immediately following the main exam.

Office Hours and Other Non-Classroom Communication
I plan to be available in the classroom or in a nearby office before and after every class. I am also very responsive to emails and I promise a 24 hour turnaround (usually much sooner) on any message from a student. If you do not receive a reply from me within 24 hours something has gone wrong; please resend your email if that happens. If necessary, and email communication is not sufficient, we will arrange promptly for a telephone call or meet in a virtual classroom online. I will also utilize our class Web-page and class group emails for communication. These should be checked regularly to ensure any important information is received timely. I want to be the most accessible professor you have.

Revisions to Syllabus
I believe the syllabus is my contract with students. I do not foresee any change to its representations. Nevertheless, all dates, assignments, and details listed in this syllabus are tentative and based on my expectations regarding the progression of the course. I reserve the right to change this syllabus. Any changes will be announced in class and/or communicated via email. If a student needs to miss a class, he or she is responsible for finding out about class announcements from a fellow student.

Punctuality and Consideration
Be on time for the start of all classes; students needing to leave early or arrive late should notify the professor in advance. Any disturbance due to cellular phones, pagers, food, drink, side conversations, etc., during classes will be cause for dismissal from that class. Laptops are encouraged, but their use for non-class content will be cause for dismissal from that class. Failure to adhere to any rules and/or non-collegiate behavior is cause for immediate dismissal from that class.
Policy on Disabilities and Assistance for Students with Disabilities
Pepperdine University’s Disability Services Office (DSO) offers a variety of services and accommodations to students with disabilities based on appropriate documentation, nature of disability, and academic need. In order to initiate services, students should meet with the Director of the DSO at the beginning of the semester to discuss reasonable accommodation. If a student does not request accommodation or provide documentation, the faculty member is under no obligation to provide accommodations. You may contact the Director of Disability Services at (310) 506-6500 or, for further information, visit the DSO Web site at: http://www.pepperdine.edu/disabilityservices/.

Conduct and Ethics
The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University
- Forgery, alteration, or misuse of University documents, records, or identification
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties
- Interference with the academic or administrative process of the University or any of the approved activities
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities
- Violation of any stated policies or regulations governing student relationships to the University

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.
**Suspension** – separation of the student from the University for a specified length of time.
**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.
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<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Before-Class</th>
<th>Assignments Due</th>
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<tbody>
<tr>
<td>Sept 2</td>
<td>Introduction and review of financial statement basics &amp; PV</td>
<td>Chapter 1</td>
<td>MUST HAVE</td>
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<td></td>
<td>Syllabus review</td>
<td></td>
<td>FINANCIAL CALCULATOR</td>
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<td>Overview of financial statement analysis</td>
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<td>Sept 9</td>
<td>Financial reporting and analysis</td>
<td>Chapter 2</td>
<td>Ch.1 HW &amp; WSJ</td>
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<td>Sept 16</td>
<td>Analyzing financing activities</td>
<td>Chapter 3</td>
<td>Ch.2 HW &amp; WSJ</td>
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<td>Sept 23</td>
<td>Analyzing investing activities</td>
<td>Chapter 4</td>
<td>Ch.3 HW &amp; WSJ</td>
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<tr>
<td>Sept 30</td>
<td>Analyzing investing activities (2)</td>
<td>Chapter 5</td>
<td>Ch.4 HW &amp; WSJ</td>
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<td>Oct 7</td>
<td>Exam preview and group work</td>
<td>Ch.5 HW &amp; WSJ</td>
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<td>Oct 14</td>
<td>Midterm #1</td>
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<td>NPV and WACC Review</td>
<td>WSJ</td>
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<tr>
<td>Oct 21</td>
<td>Analyzing operating activities</td>
<td>Chapter 6</td>
<td>WSJ</td>
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<tr>
<td>Oct 28</td>
<td>Return on invested capital and Profitability analysis</td>
<td>Chapter 8</td>
<td>Ch.6 HW &amp; WSJ</td>
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<td>Nov 4</td>
<td>Prospective analysis</td>
<td>Chapter 9</td>
<td>Ch.8 HW &amp; WSJ</td>
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<td>Nov 11</td>
<td>Equity analysis and evaluation</td>
<td>Chapter 11 part 1</td>
<td>Ch.9 HW &amp; WSJ</td>
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<tr>
<td>Nov 18</td>
<td>Equity analysis and evaluation</td>
<td>Chapter 11 part 2</td>
<td>Ch.11 HW (partial)</td>
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<td>Nov 25</td>
<td>Thanksgiving Holiday</td>
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<td>Dec 2</td>
<td>Final exam</td>
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<td>Project work session</td>
<td>WSJ</td>
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<td>Dec 9</td>
<td>Project presentations</td>
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<td></td>
<td>Wind-up and review</td>
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Written project narratives are due via email in MS WORD format NO LATER THAN MIDNIGHT, WEDNESDAY, DECEMBER 7
There will be an automatic 20% grade reduction for late submissions.
(Remember, this is a short, informal executive summary!)

Homework and selected check figures will be provided each week as we proceed. Each class will also entail considerable group work on the respective topic for that session; come prepared!