Course Number: FIN 6465

Class Time: 8-10:50 a.m. Saturday

Course Name: Financial Statement Analysis

Instructor: Dr. Thomas Pencek

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E-Mail: pencekt@sar.usf.edu

Office Hours: 11-noon Saturday and by appointment.


Course Goals: The students are expected to develop analytical skills in interpreting and analyzing financial statements effectively.

Course Objectives: Upon completion of the course, the student should be able to
- Read and understand financial statements and related information.
- Understand how financial statement information can help solve business problems.
- Use techniques of financial statement analysis in practical applications.
- Use common size statements to make preliminary interpretations of the profitability and risk of a firm.
- Analyze accounting and earnings quality, and assess the likelihood of earnings management.
- Forecast financial statements.
- Compute the valuation of firms using free cash flows.

Please be aware that when you registered for this class that you are expected to commit at least 10 hours per week towards this class.
USFSM Policies

A. Academic Dishonesty: The University considers any form of plagiarism or cheating on exams, projects, or papers to be unacceptable behavior. Please be sure to review the university’s policy in the catalog, USFSM Undergraduate Catalog or USFSM Graduate Catalog and the USF Student Code of Conduct.

B. Academic Disruption: The University does not tolerate behavior that disrupts the learning process. The policy for addressing academic disruption is included with Academic Dishonesty in the catalog: USFSM Undergraduate Catalog or USFSM Graduate Catalog and the USF Student Code of Conduct.

C. Contingency Plans: In the event of an emergency, it may be necessary for USFSM to suspend normal operations. During this time, USFSM may opt to continue delivery of instruction through methods that include but are not limited to: Blackboard, Elluminate, Skype, and email messaging and/or an alternate schedule. It’s the responsibility of the student to monitor Blackboard site for each class for course specific communication, and the main USFSM and College websites, emails, and MoBull messages for important general information. The USF hotline at 1 (800) 992-4231 is updated with pre-recorded information during an emergency. See the Safety Preparedness Website for further information.

D. Disabilities Accommodation: Students are responsible for registering with the Office of Students with Disabilities Services (SDS) in order to receive academic accommodations. Reasonable notice must be given to the SDS office (typically 5 working days) for accommodations to be arranged. It is the responsibility of the student to provide each instructor with a copy of the official Memo of Accommodation. Contact Information: Pat Lakey, Coordinator, 941-359-4714, plakey@sar.usf.edu, www.sarasota.usf.edu/Students/Disability/

E. Fire Alarm Instructions: At the beginning of each semester please note the emergency exit maps posted in each classroom. These signs are marked with the primary evacuation route (red) and secondary evacuation route (orange) in case the building needs to be evacuated. See Emergency Evacuation Procedures.

F. Religious Observances: USFSM recognizes the right of students and faculty to observe major religious holidays. Students who anticipate the necessity of being absent from class for a major religious observance must provide notice of the date(s) to the instructor, in writing, by the second week of classes. Instructors canceling class for a religious observance should have this stated in the syllabus with an appropriate alternative assignment. See USF System Policy: http://generalcounsel.usf.edu/policies-and-procedures/pdfs/policy-10-045.pdf

G. Web Portal Information: Every newly enrolled USF student receives an official USF e-mail account. Students receive official USF correspondence and Blackboard course information via that address.
Exams and Quizzes: Exams in this class will be problems and essay with some multiple choice. I will give you information about the exam in advance. In addition, an optional extra credit problem will be assigned before each exam. This will be the “curve” for the exam. If correct, a minimum of 10 points will be added to your grade. It could be worth more depending on the average for the exam. No other extra credit is given.

Class Participation: The class participation grade is based on the number of times you answer questions when we go over the homework assignments. I reward effort. Therefore, I expect all of you to have the homework completed when due. Some turn in assignments will also form part of your class grade. The turn-in assignments are to be turned in by e-mail by 9 p.m. on the Friday before the start of class. Most of the grade lately has been in the form of turn-in assignments by e-mail. If you cannot make it class when the homework is due, please turn in the homework before class to receive some credit. Some assignments will be due by e-mail only. I respond to any messages sent. With the exception of weekends, if you do not hear from me within 24 hours, there might be a problem.

Submission of Assignments: Each and every assignment has a due date, generally one of the scheduled class meetings. Updates to the assignments will be posted to Canvas. All assignments MUST be submitted on their respective due dates, unless PRIOR arrangements have been made. No late assignments can be accepted.

Team Project: A project will be assigned to show the use of the Internet and exposing you to a publicly traded company’s financial statements. The project has the following steps:

1. A team of two or three people will form a group to research two or three publicly traded companies. You will pick two companies that compete with one another and have an interest in. An example could be Target and WalMart. Lowes and Home Depot cannot be chosen since I will be using them as discussion. It must be a publicly traded company that files reports with the Securities and Exchange Commission (SEC). You must get these companies approved by me. The companies cannot be a bank or a financial services company since they use different ratios than those listed in the lecture. **Due Date: September 6th**.

2. The next step is to obtain financial statements of these companies using the Reuters. For this, you will have to register. It is free. I would advise you use your USF address for login purposes. I have provided a file that shows how to obtain the data from Reuters.
3. Calculate financial ratios for the most current five years. The ratios to be used are those discussed in class. Please make arrangements to meet with me by September 25 to discuss the calculation of the ratios.

4. Include two recent credible articles about your companies that occurred in the last year. Tie it to your ratios discussion if possible.

5. One word processed paper is required.

6. a. Analyze the financial ratios for any trends.
   b. Compare the companies’ ratios
   c. Analyze the statements of cash flows
   d. Take the position of a potential stockholder and decide whether you would buy stock in these companies. Why or why not? The ratios, statement of cash flows, and articles must be used.
   e. Take the position of a potential creditor and decide whether you would loan money to these companies. Why or why not? The ratios, statement of cash flows, and articles must be used.

7. Forecast the free cash flows of the company.

8. Compute the equity value of the companies.

9. Is the company over- or under-valued?

   f. Due Date: December 6 at 5 p.m.

Class Project

We have the possibility of doing some financial analysis of a Norwegian company that a local firm is looking to buy. At this time, July 29, 2014, that is all I know. I should know more in mid-August. I plan on having the individual involved come to the first class to discuss it with you. I should know more by August 20th.
Grading:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Midterm exam @ 300 Points</td>
<td>300</td>
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<tr>
<td>Group Project-Written</td>
<td>120</td>
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<tr>
<td>Group Project-Oral</td>
<td>80</td>
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<tr>
<td>Class Project</td>
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<td>Participation</td>
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<td>Total</td>
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Grade

- 630 or more points: A
- 560-629 points: B
- 490-559 points: C
- 420-489 points: D
- Below 420: F
<table>
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<tr>
<th>Date</th>
<th>Topics</th>
<th>Chapters</th>
<th>In Class Case</th>
<th>Turn in Problem</th>
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<tr>
<td>August 30</td>
<td>Introduction and Overview of Financial Reporting</td>
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<td>September 6</td>
<td>Income and Cash Flows</td>
<td>3</td>
<td>Luna Enterprises</td>
<td>Ch 1 - problem 3</td>
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<td>September 13, 20 and 27</td>
<td>Ratio Analysis</td>
<td>4 and 5</td>
<td>Atlantis</td>
<td>Ch. 3- prob. 26 Cash Flow Turnin</td>
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<td>October 4</td>
<td>Financing and Investments</td>
<td>6 and 7</td>
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<td>Ch. 4- Prob. 13 Ch. 5- Prob. 19</td>
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<td>October 11</td>
<td>Midterm Exam</td>
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<td>October 18</td>
<td>Operations and Intro to Forecasting</td>
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<td>Biggs Corp.</td>
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<td>October 25 and November 1</td>
<td>More Forecasting</td>
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<td>Ch. 8- Prob. 5</td>
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<td>November 8</td>
<td>Cost of Capital</td>
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<td>Ch. 10- Prob. 15</td>
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<td>November 15 and 22</td>
<td>Valuation</td>
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<td>Midtown Apartments</td>
<td>Ch. 11- Prob. 10</td>
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<td>December 6</td>
<td>Projects Due and Presentations of Projects</td>
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