

Financial Analysis
Course Number: 22:430:613
Course Title: Financial Statement Analysis

COURSE OBJECTIVES

To provide a practical, useful, and intelligent methodology for understanding and analyzing the financial performance of a business entity or division for professional or personal investments. To recognize the key components of financial and investment activities that marks the difference between successful and failed businesses. To understand and analyze cash flow, credit situation, and equity structure of a business.

COURSE MATERIALS

ASSIGNED TEXTS: Financial Reporting and Analysis published by The CFA Institute, Wiley Corporation, www.WileyGlobalFinance.com, 2020, Level 1, Volume 3, ISBN # 978-1-946442-78-9

READINGS POSTED ON CANVAS: Articles on Canvas that will supplement the textbook and discussions in class. The student should check Canvas regularly for the posting of new articles.

DAILY READING: The Wall Street Journal. To apply the concepts and ideas discussed in class to current trends and developments.

METHODS AND PROCEDURES

Lectures, discussions, problems, and readings. You must attend class in order to be aware of any material not covered in the textbook, any changes in the class program, and material covered on the quiz and the Midterm and Final Exams. Homework problems will be assigned during class. The homework problems will greatly assist you on the exams and quiz. You must complete the homework problems which will be reviewed in class and have an effect on your final grade.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy

(<http://academicintegrity.rutgers.edu/>).

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

GRADING POLICY

GRADING: There will be one (1) thirty-minute quiz given during the course (see below for date). The Midterm and Final Exams will take up the entire period. The exams will consist of a combination of problems, multiple choice, short answer, and true or false questions.

Grading is broken down as follows:

Midterm Exam	20%
Final Exam	30%
Quiz	10%
Homework	10%
Case study	10%
Course project	<u>20%</u>
TOTAL	<u>100%</u>

GRADING SCALE

<u>Letter Grade</u>	<u>Numerical Grade</u>
A	100-95
A-	94-90
B+	89-86
B	85-83

B-	82-80
C+	79-76
C	75-73
C-	72-70
D	69-60
F	59-00

Key dates for course:

- Quiz
- Midterm Exam
- Case study
- Course Project
- Final Exam

COURSE POLICIES: All college and departmental policies concerning attendance, incompletes, missed exams, etc., will be observed. For example, excused absences, make-up exams, or incompletes will be given for normally *acceptable* reasons. ***THERE WILL BE NO EXCEPTIONS.*** Unexcused absences from the quiz and exams will result in a grade of *zero (0)*.

COURSE SCHEDULE

<u>DATE</u>	<u>TOPIC</u>	<u>TEXT</u>
<u>CHAPTER / AGENDA</u>		

Introduction		
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Financial Reporting Standards	20
Understanding Income Statements	21
Understanding Balance Sheets	22
Understanding Cash Flow Statements	23, <i>Quiz</i>
Financial Analysis Techniques	24
Inventories	25

Midterm Exam

No class

Long-Lived Assets	26, <i>Case study due</i>
Non-Current Liabilities	28
Financial Reporting Quality	29
Financial Statement Analysis: Applications	30

Presentations and Project due

Final Exam

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link:

https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military **veteran** or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of **mental health** services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of **physical health** services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of **legal** services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to **English as a second language (ESL)** should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional **academic assistance**, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]

COURSE PROJECT FORMAT

The course project is designed to analyze the financial statements and situation of major corporations and use the material covered in the course. The goal behind the course project is to develop, enhance, and utilize the student's ability to analyze a corporation's financial situation.

The students must form groups of maximum six (6) students. A team leader must be chosen by each team. The team leader will meet with the professor on a periodic basis regarding the progress of the project, the performance of the team members, and any problems, questions or concerns that may arise.

The course projects must:

- be typed with a maximum font size of 12
- be a maximum of 30 pages
- be double-spaced
- have citations when needed
- graphs and charts must be in the body of the analysis: ***Any charts or graphs that take up an entire page will not constitute a typed page***
- have a cover page with the name of the assigned corporation, the names of the team members, date submitted, the professor's name, course name and number
- each section of the course project must state its author
- have a one-inch margin (top, bottom, right and left) on each page
- contain a bibliography page of outside research done and used in the course project
- a blank end page for my comments

Each student will be graded on their writing, analysis, research, organization of the material, and insights.

The course project must be broken down into the following sections:

- ⇒ **Company background and history:** must state the history of the corporation in a clear and concise format.
- ⇒ **Macroeconomic outlook:** This must be an analysis of the U.S. and global economy in the short term (1 year) and long term (5 years). The analysis must show how the U.S. and global economy affects the corporation your group is researching. Among the points to discuss are: What is the current state of the economy and what do economists, business and political leaders feel the situation will be in the short and long term? Does the economy have a strong impact on your firm's financial situation?
- ⇒ **Industry outlook:** an analysis of the industry that the corporation is in. This section must analyze how the state of the industry affects the corporation being analyzed, who the competition is, the threats and opportunities the competition presents to the corporation under analysis, and the current and future state of the industry. Also, where does your firm fit in the marketplace: is it a major player, in the middle of the pack, a new player, or falling behind and why? Are there new challenges for the industry, new issues that must be addressed, great growth opportunities in the U.S. and abroad and how are they being met? What do industry watchers and analysts have to say and what do you think will happen in the long and short term and the affects it will have on your firm?
- ⇒ **Firm's strong points:** an in-depth financial analysis of the firm's strong points. An analysis of the firm's current and past financial statements for the past five (5) years. The analysis must also state why the corporation enjoys these strong financial points.
- ⇒ **Firm's weak points:** an in-depth financial analysis of the firm's weak points. This section must show the firm's weak points that could affect it in the long and short term. The analysis must state how these weak points came about and how they could be corrected, if possible.
- ⇒ **Conclusion and outlook:** must state the group's conclusion regarding the firm's current and future financial situation. For example, the conclusion and outlook must state whether the firm is a good candidate for a merger and acquisition, a hostile takeover, if it will enjoy solid future profitability and growth, if it will be an industry leader, or is headed toward financial disaster. Does the group think this firm is a good investment prospect? Given the state of the economy, the industry, and the firm itself, if you were a portfolio manager or analysts, would you recommend this firm and why? What are the group's long, short and medium-term recommendations for this firm?

Each of the previous sections must be a maximum of five (5) pages and a minimum of four (4) pages.

Grading:

Individual grade = 50 points maximum

+Group grade = 50 points maximum

Total grade = 100 points maximum

If you have any questions, concerns or problems while working on the course project, please feel free to see me before or after class, or during my office hours.

PRESENTATION REQUIREMENTS

- Maximum time for presentation: **30 minutes**
- Team must deal with company's strong and weak points and conclusion/ recommendations
- Team must use Power Point presentation
- At least three (3) members must speak during the presentation
- The presentation time of 30 minutes includes questions and answers from the professor