

MGT 327
Financial Statement Analysis
Spring Semester 2008

- Professor:** Dr. Peter M. (Pete) Bergevin
- Telephone Number:** Cell – 951-288-5996
- E-mail:** peter.bergevin@cgu.edu
- Office Hours:** Monday 3:30 - 4:00 p.m. 6:50—7:30 p.m. and by appointment
- Required Text** Electronic version of *Financial Statement Analysis: Content and Context*, ©Peter M. Bergevin, 2007
- Required Reading:** The *Wall Street Journal* or the *Financial Times* (daily)
- Class Meetings:** MGT 327 on Monday evenings from 4:00 to 6:50 p.m. in Room 12
- Objective and Overview** MGT 327, Financial Statement Analysis—This accounting course focuses on fundamental financial analysis: how to interpret corporate and supplementary information. It addresses issues such as earnings quality, financial metrics, pro-forma statements, and earnings management. It compares the U.S. financial reporting system to other theoretical systems and reporting standards in other countries.
- Prerequisites:** MGT 326 within the last 2 years

Textbook

As indicated above, the required textbook is an electronic version of the instructor's text-in-progress. The instructor will supply two discs containing the text. You will receive the first disk, covering chapters 1-7, on the first day of class. The instructor will distribute another disk containing the remaining eight chapters during the term. Please note that Peter M. Bergevin holds the copyright to all material in the files.

You access the text material as follows: Click on *Book*. The *Book* contains chapters with two main files per chapter: *Body* and *Exhibits*. The *Body* of each chapter contains up to three files: *Text*, *Homework*, and *Pedagogy*. You should read the *Text* file, and do the assignments (as listed on the following assignment schedule) from the *Homework* file. We will not use the *Pedagogy* file, but you can read it for further insights. The *Exhibits* file contains illustrations and other artwork. Refer to these *Exhibits* as indicated in the *Text*.

Course Policies

This program prepares you to lead organizations. As such, managers take responsibility for their actions and conduct their affairs professionally. Consequently, the overarching course policy is one of professionalism. The following class policies stem from this perspective:

- *Class Attendance.* I will not take attendance. Please attend every class meeting unless you have a bona fide excuse.
- *Assignments.* A representative from each group must turn in their team's component analyses on the assigned dates. I do not accept late papers.
- *Group participation.* All teammates must contribute equally to the component analyses and term project.
- *Class Preparation.* Please do all reading and homework assignments prior to class.

Learning Outcomes and Assessment

	<i>Outcome</i>	<i>Assessment</i>
	<i>Upon completion of this course, you will be able to:</i>	<i>As demonstrated by:</i>
1.	Analyze disclosures affecting corporate financial statements	In-class exam
2.	Compute and assess an array of analytical measures for the components of analysis	Corporate case assignments
3.	Synthesize economic and industry conditions that affect corporate analysis	Research paper and class presentation

Grading Policies

One hundred twenty (120) points compose this course. The maximum number of points for each item is:

Evaluation Instrument	Points
Exam	40
Homework and participation	10
Corporate case assignments (6 @ 5 points each)	30
Industry analysis	<u>40</u>
Total Points	120

Exam:

The following assignment schedule lists the in-class exam date. It is worth a maximum of 50 points. Please see me if you cannot take the exam on the date scheduled for a mutually convenient make-up time and date.

You will receive an exam review guide, posted on Sakai, prior to each test that will outline the material on the exam. We will review exam results at the beginning of the next class session. As part of the review process, I will disclose grades on *cumulative* point total to date. The mean course grade for this course will approximate a B+ (3.3).

Homework:

I will award a maximum of 10 points for overall class participation and contribution to the homework discussion. Please note that I will not collect the homework, except for the corporate case assignments discussed below.

Corporate Case Assignments:

Your team will pass in six homework assignments worth five points each related to term project during the semester. Each assignment will consist of financial calculations and a one or two paragraph preliminary assessment of their meaning. The following assignment schedule lists their due dates. You will also discuss your findings with the class on that date.

Corporate Analyses:

You will self-select into groups of approximately four students for the term project. Your team will select a company to analyze as well as a benchmark firm. The term project consists of homework assignments, an oral presentation, and a written paper. Every team member whose name appears on an assignment receives the same grade. Please see me if a member of your group is not contributing to the group effort (e.g., not doing his or her assigned work, not attending meetings and so on). A separate Sakai posting provides specific information about the term project.

Assignment Schedule

Date	Chapter	Assignments
1/29	Course introduction Chapter 1—Introduction to Financial Statement Analysis	Group formation and company selection Preliminary group analysis
2/4	Chapter 2—The Financial Statements	Chapter 2 numerical cases 1-4 Compile financial statement spreadsheets First group assignment due: common size financial statements
2/11	Chapter 3—Analytical Environment	Second group assignment due: do Chapter 3 internet cases 1-4 and conceptual cases 1 and 2 for <i>your company and its benchmark firm</i> (as opposed to the industries in the book).
2/18	Chapter 4—Corporate Structure and Financial Disclosures	Chapter 4 industry internet cases 4-1, 4-2, 4-3
2/25	Chapter 5—Deferred Arrangements and Financial Risk Management	Chapter 5 industry internet cases 5-1, 5-2, 5-3
3/3	Exam	-----
3/10	Component overview	Review exam Preliminary assessment of group project
3/17	Spring Break—No Class	-----
3/24	Chapters 6 and 7—Operating Performance Analysis	Chapters 6 and 7 numerical cases
3/31	Chapters 8 and 9—Short-Term Liquidity Analysis	Third group assignment due—operating performance analysis Chapter 8 and 9 numerical cases
4/7	Chapters 10 and 11—Asset Utilization Analysis	Fourth group assignment due—short-term liquidity analysis Chapters 10 and 11 numerical cases
4/14	Chapters 12 and 13—Capital Structure Analysis	Fifth group assignment due—asset utilization analysis Chapters 12 and 13 numerical cases
4/21	Chapter 14—Financial Forecasting	Sixth group assignment due—capital structure analysis Chapter 14 numerical cases Group financial forecast (not handed in)
4/28	Chapter 15—Corporate Valuation	Chapters 15 numerical cases Group corporate valuation (not handed in)
5/5	Group projects	Group presentations and papers due