

**MGT 327**  
**Financial Statement Analysis**  
**Spring Semester 2009**

- Professor:** Dr. Peter M. (Pete) Bergevin
- Telephone Number:** Cell – 951-288-5996
- E-mail:** [peter.bergevin@cgu.edu](mailto:peter.bergevin@cgu.edu)
- Office Hours:** Tuesday 8:00 - 9:00 a.m. and by appointment in Burkle Hall--228
- Required Text:** Course Packet of *Financial Statement Analysis: Content and Context*, ©Peter M. Bergevin, 2009
- Recommended:** The *Wall Street Journal* or the *Financial Times* (daily)
- Class Meetings:** MGT 327 on Tuesday mornings from 9:00 to 11:50 p.m. in Burkle 16
- 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**

The required textbook is the course packet of the instructor's text-in-progress (available in the bookstore). Please note that Peter M. Bergevin holds the copyright to all of the material in the packet.

**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 (hardcopy) on the assigned dates. (Alternatively, you may elect to submit these component analyses individually—please see the following *corporate case analysis* section.) I do not accept late papers. (E-mail me a copy before the class meets if you will not attend the class in which an assignment is due.)
- *Group participation.* All teammates must contribute equally to the term project.
- *Class Preparation.* Please do all reading and homework assignments prior to class.

## Learning Outcomes and Assessment

	<b>Outcome</b>	<b>Assessment</b>
	<b>Upon completion of this course, you will be able to:</b>	<b>As demonstrated by:</b>
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 into a corporate analysis that results in a specific decision	Research paper and class presentation

### Grading Policies

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

<b>Evaluation Instrument</b>	<b>Points</b>
Exam	40
Corporate case assignments (8 @ 5 points each)	40
Term project	40
<b>Total Points</b>	<b>120</b>

#### **Exam:**

The following assignment schedule lists the in-class exam date. It is worth a maximum of 40 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 the test that will outline the material on the exam. We will review exam results at the beginning of the next class session.

#### **Corporate Case Assignments:**

You will self-select into groups of approximately four students for the corporate case assignments and term project (below) at the conclusion of the first class meeting. You team should select a primary company and a benchmark competitor for the purposes of the corporate case assignments and the term project. You will have to gather and analyze economic and industry data as well as a minimum of the most recent five (5) annual financial statements for your firm and its competitor in order to complete the corporate case assignments and the term project.

You or your team will pass in eight (8) homework assignments worth five points each related to term project during the semester. Each assignment requires an executive summary of a specific component of financial analysis. Some of the assignments will require financial calculations (submitted as an appendix to your executive summary) to support your conclusions. You must submit a *hardcopy* of the corporate case assignments on the dates listed in the following *assignments* schedule.

I highly recommend that you complete each of the corporate case assignments collectively as a team. If a member of the team cannot collaborate cannot collaborate with his or her teammates for the purposes of a corporate case assignment(s), for whatever reason, then I will accept individual corporate case assignment submissions.

Note on Homework Assignments: Except for the specifically designated *corporate case assignments*, I will not collect other assigned homework or grade it. You should prepare these non-corporate case assignments homework assignments before class in order to maximize your understanding of the material.

**Term Project:**

The term project consists of an oral analytical presentation to your classmates and a written analytical paper submitted to the instructor. Regardless of whether your team submits corporate case assignments collectively or individually, the whole team will present a single term project. Moreover, every team member will receive the same grade for the term project. The remainder of this section of the syllabus contains more specific information about the term project.

You should create a scenario, analyze the evidence, and make a specific decision. For example, you could assume the role of a

- potential shareholder considering whether to invest in the firm
- bank evaluating a loan application by the company
- private equity firm contemplating a leveraged buyout
- competitor seeking to purchase the company
- labor union seeking increased compensation
- board member assessing managerial performance

Your decision should be made in real-time (i.e., April/May 2009)

To complete this assignment, form your team by self-selecting into groups of about four students by the end of the first class and select your industry and firms. Your team will make an oral presentation to the class during the final class period (20 points). You will hand in your written analysis at the final class as well. It, too, will be worth a maximum of 20 points.

**Grading Rubric**

I will grade your project on its content and context. The evaluation instrument is as follows:

**Content**

Item	Excellent	Good	Average	Poor
Depth of analysis				
Valid assumptions				
Logical conclusions				
Clear decision				

\* not applicable

**Context**

Item	Excellent	Good	Average	Poor
Organization				
Communication (speech or written word)				
Style				
Medium				
Compliance with requirements				

### **Additional Considerations**

One of the hallmarks of a professional is the ability to express his or her thoughts, ideas, and opinions clearly and concisely. This course places a premium on effective oral and written communication. Your term project offers you the opportunity to demonstrate communication proficiencies. The remainder of this handout makes a few suggestions to maximize your grades on the speaking and writing assignments.

#### **Term Paper—worth a maximum of 20 points:**

- Format your manuscript. It does not have to be fancy, but you should make an effort to make your papers easy to read. Place the title, group member's names, course, and date on the first (title) page. Please double-space the text.
- Use your computer's tools. Check your spelling and grammar with *Word's Tools*. You should also use this feature's online thesaurus to avoid word repetition. In addition, use *Tools* for information about readability statistics (e.g., passive sentences and reading grade level).
- Be direct. Address the issue. Your grade is not a function of how many words you write.
- Tell the story. Your work should flow from one point to the next. It should not be a series of unrelated facts or observations. Connect your thoughts and make linkages by using transition phrases and sentences. Use subheadings as necessary.
- Explain the *why*. Financial results don't just happen; they occur for a number of reasons and your job is to explain them. Please do not recite historical events without analyzing them.
- Take ownership. This is your analysis. Use phrases such as "Our view is...", "We feel that management...", and "The group concludes..."
- Structure. Your paper should have a beginning, middle, and end. Winston Churchill described effective communication as the ability to "Tell them what you're going to tell them, tell them, and then tell them what you told them."

#### **Class Presentations—worth a maximum of 20 points:**

- Use appropriate media. Your group should use the best means to communicate your analysis. Remember, effect communication does not equate to high-tech software applications.
- Summarize your research. Present its key points but do not become overly involved with the details. Your colleagues want to grasp the *big picture*. Save the details for paper.
- Be organized. Introduce group members and make transitions from one person's speaking role to the next.
- Remember Sir Winston's advice. Introduce, discuss, and summarize your material.
- Be creative. Do not be afraid to be innovative. You can use role playing, scenario creation and so forth to enhance listener interest.
- Respond directly to questions. Answer the question asked. "I don't know" is a perfectly acceptable response.

Give yourself the best opportunity to maximize your grades on the research assignments by following these simple rules and using common sense.

**One final note:** This is a team project. All members of the team must contribute to it; however, the roles individuals play within the group can vary. Not everyone has to

contribute equally in every task of the project. For example, a student well versed in accounting may devote most of his or her time to making numerical calculations, one savvy in technology may develop media for the group, and another with excellent oral communication skills may be the primary *voice* of the group.

### Assignment Schedule

<b>Date</b>	<b>Chapter</b>	<b>Assignments</b>
1/20	Chapter 1—Introduction to Financial Statement Analysis	Group formation and industry, company, and benchmark company selection
1/27	Chapter 2—The Financial Statements	<i>Corporate case assignment 1 due (hardcopy): Review the current state of the industry and summarize your firm's strategies, operations, products, and markets</i> Chapter 2 homework assignment
2/3	Chapter 3—Analytical Environment	<i>Corporate case assignment 2 due (hardcopy): Analysis of vertical and horizontal common size income statements and balance sheets</i> Chapter 3 homework assignment
2/10	Chapter 4—Corporate Structure and Financial Disclosures	Chapter 4 homework assignment
2/17	Chapter 5—Financial Risk Management	Chapter 5 homework assignments (financial risk management)
2/24	Chapter 5—Deferred Arrangements (Pensions and Deferred Taxes)	<i>Corporate case assignment 3 due (hardcopy): Analysis of corporate investments</i> Chapter 5 homework assignments (pensions and deferred taxes)
3/3	Chapters 6 and 7—Operating Performance Analysis	<i>Corporate case assignment 4 due (hardcopy): Analysis of pensions, deferred taxes, and financial risk management</i> Chapters 6 and 7 homework assignments
3/10	Chapters 8 and 9—Short-Term Liquidity Analysis	<i>Corporate case assignment 5 due (hardcopy): Operating performance analysis</i> Chapters 8 and 9 homework assignments
3/17	Spring Break—No Class	-----
3/24	Chapters 10 and 11—Asset Utilization Analysis	<i>Corporate case assignment 6 due (hardcopy): Liquidity analysis</i> Chapters 10 and 11 homework assignments
3/31	Chapters 12 and 13—Capital Structure Analysis	<i>Corporate case assignment 7 due (hardcopy): Asset utilization analysis</i> Chapters 12 and 13 homework assignments
4/7	Examination	-----
4/14	Chapter 14—Financial Forecasting	<i>Corporate case assignment 8 due (hardcopy): Capital structure analysis</i> Chapters 14 homework assignment
4/21	Chapter 15—Corporate Valuation	Chapters 15 homework assignment
4/28	Analytical review	Term project preparation
5/5	Term projects	Term presentations and papers due