

UNIVERSITY OF PITTSBURGH
Katz Graduate School of Business & College of Business Administration

Course: BUSACC 1210 Financial Statement Analysis (3.0 credits) – undergraduate
BACC 2525 Financial Statement Analysis (3.0 credits) – graduate

Location: 1640 Posvar from 11:00am to 12:15pm and from 12:30pm to 1:45pm, Mondays and Wednesdays

Instructor: Jocelyn D. Kauffman, 2404 Sennott Square, jkauffman@katz.pitt.edu

How to contact instructor: Please use email; however, please be patient with regard to response time. I receive literally 100's of emails each week, but I will do my best to stay current. It would be very helpful if you would type in the subject line of your email to me "FSA QUESTION" in CAPS, so I will know to look for these emails first and respond more timely.

You do NOT need to email me regarding class absences. In the event of an emergency or the need to contact me immediately, please call Terry Lane, Assistant to the Associate Dean (412.383.7318), who will forward your message to me via cell phone.

If you happen to have my cell phone number from a prior course or student, please do NOT use it to call or text me.

Please do NOT leave notes or assignments under the door of my office, as I do not go to my office every day.

Office Hours: Routine office hours will be held via webconferencing on Monday evenings from 5pm to 6:30pm and Thursday evenings from 5pm to 6pm. You will receive an invitation at the start of the term and reminders each week regarding office hours.

Each Presentation Group will have a formal meeting with me on campus. A "suggested" list of meeting times/days will be distributed to the classes for feedback. The date and time for each group will contemplate all members' availability to achieve the greatest attendance possible. The date, time and location of each group's meeting will be announced on Courseweb.

Course How to Read a Financial Report, by John A. Tracy, published by Wiley, ISBN: 978-0-470-40530-7

Materials: "Financial Statement Analysis – a Practical Approach", by JD Kauffman (bound copy available in bookstore)
(Required)

Course Objectives:

This course focuses on the financial statements and related note disclosures, as well as other sections of Form 10-K of publicly traded companies. This course helps students develop a systematic approach to analyzing reported financial data and an awareness of the ethics and underlying risks of inconsistencies across companies. The course introduces students to a practical methodology to compare companies competing in the same industry with regard to differentiating market strategies choices, success of these choices and overall financial health. In order to achieve this comparison, the course focuses on some of the reporting differences between US GAAP and IFRS, for purposes of assessing the quality of reported information and consistency among companies competing within the same industry.

Prerequisites: Undergraduate/MAcc

Financial Accounting; Managerial Accounting; Intermediate Financial Reporting I; and Intermediate Financial Reporting II

Class Structure:

Classes will be a combination of lectures and discussions of assigned readings and homework problems. There will be group presentations at the end of the semester.

Classroom Etiquette:

All technology must be turned off during class lecture, unless there is specific instruction to use technology for in-class work. If a student is expecting an emergency call, the student should let the instructor know at the start of class. Technology includes, but is not limited to, cell phones and computers. There should be no texting, emailing, web surfing, etc. during class time. It is extremely disruptive to other classmates. Therefore, out of respect for the other students in the class, if a student is found to be in violation of these guidelines, that student will be asked to leave the lecture for the day.

Academic Integrity: All violations of the Code of Academic Standards will be dealt with according to University policies and procedures. In addition, please refer to the Presentation section of this document.

Students with Disabilities:

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and Disability Resources and Services (DRS), 216 William Pitt Union, (412) 648-7890/(412) 383-7355 (TTY), as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.

Course Grading:

Your final grade will be determined as follows:

	Undergrd	Graduate
Homework & participation	5%	5%
Exam #1	25	25
Exam #2	25	25
Exam #3	25	25
Presentation	20	20*
Total	100%	100%

Homework & participation:

In order to understand many of the concepts taught in this course, it is vitally necessary that students complete reading assignments and homework problems, as indicated on the course schedule. Students may earn the full “homework & participation” portion of their grade by routinely contributing to lecture by responding to the instructor’s questions and/or asking questions during class time.

Exams:

Three interim exams will be administered during the semester. All exams will take place during class time. The first two exams are closed book and notes. The last exam will require access to the annual reports of two competing companies in the same industry. The annual reports and any other materials that you prepare for this exam are permitted to be used during the last exam. All exams will focus on your understanding and the application of the analysis process and will not require students to regurgitate information directly from any particular source.

Presentation*:

Students will be randomly divided into groups. Each group is assigned a publicly-traded company that competes in an industry that will be introduced during the semester. The group will analyze the assigned company in accordance with methods taught during the semester. The company analysis will be presented to the class during the last few weeks of term. The estimated presentation time for each group is 25 to 35 minutes. Additional details and guidance regarding the presentation are attached to this syllabus.

All members of each group are not required to participate in the presentation; each group may elect how to perform the presentation (all members, one member, just a few members); however, all members are expected to participate in preparing for the presentation and analyzing the assigned company. Each member of each group will be asked to complete a participation survey; the results of the surveys will be considered when determining each student’s presentation grade. The surveys will be anonymous (only I will see the surveys). All students are required to complete a participation survey in order to earn full credit toward the presentation grade. Additional detailed instructions and the survey will be provided in a separate document.

*Graduate students are required to prepare a two to three page paper summarizing the results of the group presentation. This paper will be considered in the overall grade of the individual student for this portion of the course. All narrative portions of the document have to be “self-written” (that is, students are not permitted to “cut and paste” excerpts from annual reports or tables or other illustrations from annual reports, even if footnoted appropriately. If more than one graduate student is assigned to a particular group, each graduate student is expected to write his/her paper independently. Violations of these requirements may result in the individual(s) not earning full credit on this portion of the student’s grade, at the discretion of the instructor.

PLEASE BRING THE COURSEPACK TO CLASS EVERY DAY.

Class Schedule

Week beginning	Mon (A)/ Wed (B)	In-class Objectives	Homework (due on the date indicated)
August 27	A	Syllabus <i>Group # Assignments</i>	
	B	Review purpose of each financial statement Connections among accounts and fin stmts In-class: Coursepack pages 2 to 4 and flashcard exercise <i>Company Assignments for Presentations</i>	Read chapters 1 to 3 (HRFR)
Sept 3	A	No class – Labor Day	
	B	Influence of Industry on Balance Sheet and Income Statement Coursepack pages 5 to 7	Read chapters 4 to 8 (HRFR)
Sept 10	A	Review Homework Answers Components of a 10-K (Coursepack page 8)	Homework: Section A EXERCISES 1 & 2 Read chapter 15 (HRFR)
	B	Review Homework Answers	Homework: Section A EXERCISES 3 - 7
Sept 17	A	No class – Rosh Hashanah	
	B	Exam #1	
Sept 24	A	Review Exam #1 answers	
	B	No class – Yom Kippur	
Oct 1	A	Improvements in Interpretative Value: Foreign Currency Translation	
	B	Review Homework Identifying Significant Sources of Revenue Identifying Significant Costs: Common-sized Income Statements	Homework: Section B EXERCISES 1 - 3
Oct 8	A	Fall break – no class	
	B	Review Homework Measuring Volume and Revenue/Unit	Homework: Section B EXERCISES 4 – 5, Parts A & B, only
Oct 15	A	Review Homework Translating Revenue Changes to Costs, Management Discussion & Analysis	Homework: Section B EXERCISES 4 – 5, Part C, only
	B	Review Homework Translating Operating Events to the Balance Sheet	Homework: Section B EXERCISES 4 – 5, Parts D & E
Oct 22	A	Exam #2	
	B	Review of Exam #2	
Oct 29	A	Cash Flow Analysis	
	B	Review Homework Improvements in Interpretative Value: Inventory Cost Flow	Homework: Section C EXERCISES 1 - 2
Nov 5	A	Review Homework Improvements in Interpretative Value: Operating Leases	Homework: Section C EXERCISES 3 - 4
	B	Review Homework Ratio Analysis: in-class exercise	Homework: Section C EXERCISES 5 – 7
Nov 12	A	Presentation in-class work day	
	B	Exam #3	
Nov 19	A	Review Exam #3	
	B	No class – Thanksgiving	
Nov 26	A	Presentation in-class work day	
	B	Presentations	
Dec 3	A	Presentations	
	B	Presentations	

GROUP PROJECT INDUSTRIES & COMPANIES

INDUSTRY	Company for 11:00AM GROUP	Company for 12:30PM GROUP
Brewers	Boston Beer	Mendocino Brewing Co.
General Retail	Dollar General	Walmart
Grocery Stores	Safeway	Whole Foods
Home Improvement	Lowe's Home Improvement	Home Depot
Nonalcoholic Beverages	Cott Corp	Monster Beverage Corp
Restaurants	Bob Evans Farms	Cheesecake Factory

OUTLINE FOR GROUP PRESENTATION

Section I. Understanding the Industry in which the company competes:

- a. Macroeconomic trends and effects of current economic state
- b. Recent developments within the industry
- c. Operational or marketing strategies used to differentiate the company from others that compete in the industry, including a “pie-chart” to identify the most significant companies competing in the industry (your group may choose to use the U.S. as the “total market” or the world as the “total market”, depending upon what is more appropriate for your company/industry)
- d. Cost structure and infrastructure needs to support the industry
- e. Common metrics used to evaluate performance within the industry

Section II. Company-specific information:

- a. Brief History of the company
- b. Market Strategy Used to Compete within the Industry (how does this company differentiate itself from others that compete in the same industry)
- c. Significant Sources of Revenue for the company
- d. Significant Operational Events in most recent fiscal year-end
- e. Financial Health of the Company
 - i. Profitability over the last two fiscal years
 - ii. Liquidity (including Cash Flow Analysis and common liquidity ratios, after any necessary adjustments)
 - iii. Leverage, after any necessary adjustments

Section III. Industry Comparison: Profitability

Measuring performance of the company to other significant competitors, based upon industry-specific metrics.

Section IV. Industry Comparison: Liquidity & Leverage

- a. Review of Liquidity by means of overview of Cash Flow Analyses and relevant common ratios, after applicable adjustments
- b. Review of Leverage by evaluating the extent to which Assets have been financed with Liabilities and/or Equity, after applicable adjustments.