

EDWARDS SCHOOL OF BUSINESS
University of Saskatchewan
Master of Business Administration

MBA 807.2 Financial Statement Analysis

Course Outline

Course Instructor: Gary Entwistle, PhD, CA
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Department of Accounting
Edwards School of Business

Course Description: The financial statement analysis course is designed to prepare future managers to effectively analyze, interpret, and evaluate an entity's financial statements and related information (e.g., attestation reports). The entities subject to analysis will be both private (e.g., owner managed) and public (e.g., where the firm's securities trade on a stock exchange) and will be drawn from a wide variety of different industries. Tools for interpreting cash flow patterns, for recognizing trends in financial performance (ratio analysis), and for firm valuation will be discussed. The importance for any organization of creating an effective financial reporting strategy will also be examined. The course will also expose students to future trends in financial reporting, both national and international.

Prerequisites: None

Course Components:

- Economic and institutional setting for financial reporting (e.g., regulatory bodies and reporting requirements)
- Financial statements; MD&A; Annual report
- Attestation reports including the role of the auditor
- Cash versus accrual accounting
- Market versus book value
- Economic income versus accounting income
- Various measurement models (historical cost, fair value)
- Earnings management
- Quality of earnings
- Non-GAAP reporting
- Financial instruments
- Taxable income versus tax expense
- Methods for valuing firms (public and private)
- Ratio analysis
- International financial reporting standards

- Differential financial reporting
- Limitations of financial statements

Activities within the Course:

- Review of fundamental accounting concepts and practices
- Analysis of financial statements
- Analysis of annual reports, including the Management Discussion and Analysis (MD&A) section
- Analysis of attestation reports
- Selected cases (Ivey, Harvard, Darden)
- Guest speakers (e.g., CFO; VP-Finance; Chartered Business Valuator; Investment Analyst; Bank Credit Officer)
- Student presentations
- Some lecturing

Course Materials:

- Readings package
- A textbook will serve as background reading and reference source.

Potential textbooks

- Financial Statement Analysis, 9th Edition. Wild, Subramanyan, and Halsey. Irwin/McGraw-Hill. 2007.
- Financial Statement Analysis and Securing Valuation, 3rd Edition. Penman. Irwin/McGraw-Hill. 2007.
- Understanding and Analyzing Financial Statements: A Project-Based Approach, 4th Edition. Schoenebeck. Pearson Prentice Hall. 2007
- Crash Course in Accounting & Financial Statement Analysis. John Wiley & Sons, 2007.
- Understanding Financial Statements. Pearson Prentice Hall, 8th Edition, 2007.
- Financial Reporting and Analysis, 3rd Edition. Revsine, Collins, and Johnson. Pearson Prentice Hall. 2005. Canadian version of this book (2nd Edition, 2004) co-authored by Joel Amernic, University of Toronto.

Tentative Schedule:

Seminar #	Topic
1	Introduction: Economic and institutional setting for financial reporting
2	Financial statements – part 1
3	Financial statements – part 2
4	Annual reports
5	Attestation reports and the assurance function
6	Ratio analysis
7	Firm valuation
8	Guest speakers
9	Student presentations
10	Future reporting trends and final exam

Evaluation:

Classroom presentation – 30%

Classroom participation – 20%

Final examination – 50%

Class Participation:

It is important to both the success of this course and for your own learning that there be significant class participation throughout the course. To encourage such participation, part of your class mark will be based on your contributions to the class discussion.

Here is how I plan on making my participation assessment. Please recognize that the assessment of the term “contributed” has a quality component attached to it.

Maximum of 20%	<u>Consistently</u> contributed to the class discussion.
Maximum of 16%	<u>Regularly</u> contributed to the class discussion.
Maximum of 12%	<u>Occasionally</u> contributed to the class discussion.
Maximum of 8%	<u>Only infrequently</u> contributed to the class discussion.
0%	<u>Did not</u> contribute to the class discussion.

Academic Dishonesty:

Students are expected to have read and understood the rules regarding academic dishonesty which are posted on the University of Saskatchewan website at:

http://www.usask.ca/university_council/reports/09-27-99.shtml