

**DPA 603
Financial Statement Analysis
Summer 2022 Course Outline**

**Accounting and Financial Management Services Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

The course is designed to provide you with advanced conceptual background and analytical tools necessary to evaluate financial statements issued by publicly held enterprises. The course is meant to complement related studies in accounting, finance, economics, business policy, and statistical analysis. It focuses on understanding the uses and the limitation of both the financial statements and the traditional and non-traditional methods used in analyzing them. We will discuss the financial statements, the accounting disclosure rules, the differential effects of alternative accounting principals, and the interpretation of financial information. Student’s motivation and skill development will be enhanced by using problems and cases for actual companies. You will ultimately be better able to make judgements about the cash flows, earnings quality, hidden assets and liabilities, and the overall performance of the enterprise.

INSTRUCTOR AND CONTACT INFORMATION

Section 1 Thurs 13.30–16.30
Class location: TBD

Eric Bentzen-Bilkvist
Instructor
Email- Ericb@petmas.ca 905 522 6555, ext. 4

Office Hours: ON REQUEST

COURSE ELEMENTS

Credit Value:		Leadership:	Yes	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speaker(s):	No

COURSE SITES

Avenue: <http://avenue.mcmaster.ca>
Top Hat: <http://app.tophat.com/e/> to be announced

COURSE DESCRIPTION

This course will look at the Accounting Policies which can affect the profit activity of a corporation.

Prerequisite:

It is assumed that all students have a basic knowledge of accounting principles comparable to the materials covered in commerce 3AC3 (Financial Accounting). If you do not, you should catch up as quickly as possible.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Play the role of the main decision-maker(s) while taking all stakeholders into account;
- Formulate a strategic plan while considering the organization's capabilities and environmental context;
- Identify the important opportunities and challenges facing a business and setting out a course of action for dealing with them;
- Detail an action plan that is operationally specific.

REQUIRED COURSE MATERIALS AND READINGS

FINANCIAL REPORTING AND STATEMENT ANALYSIS: A STRATEGIC PERSPECTIVE, 9th edition, Wahlen, Baginski, Bradshaw; South-Western (Nelson).

- There is an online version sold at the bookstore - or they also sell the hard copy version – but it is not a bound textbook. To reduce the cost, it is loose leaf paper only.
- I have uploaded the PowerPoint slides

OPTIONAL COURSE MATERIALS AND READINGS

FINANCIAL REPORTING AND STATEMENT ANALYSIS: A STRATEGIC PERSPECTIVE, 9th edition, Wahlen, Baginski, Bradshaw; South-Western (Nelson).

- ISBN 978-1-337-61468-9

EVALUATION

Group hand-in cases and presentation:

The cases are used to reinforce, integrate and supplement the course material, and to provide practice in its application. A total of 5 cases will be analyzed throughout the semester. The cases will build on the topics covered in the lectures. Cases must be handed in at the start of the class. All groups will be required to hand in all 5 cases.

The maximum length of a hand-in case will not exceed 8 pages of double-spaced **typed** text (inclusive of exhibits and figures).

We will take up cases in class.

Group evaluation

Your individual mark for group work will be based on a combination of:

- the mark assigned to the group's hand-in cases and term project
- your contribution to the group work as evaluated by your peers and yourself. You will be given the opportunity to make your **confidential** peer evaluation in writing.

Participation

You are expected to be prepared for each class by reading the assigned material and be a willing participant in discussions. Participation mark is based on active participation and not attendance. However, attendance is necessary to participate.

Mid-term and Final:

For the DPA course the midterm and final marks are based on the comprehensive Midterm and Finals that are written as part of the DPA. There is not a separate midterm or final.

Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases group members will share the same grade adjusted by peer evaluation. Your final grade will be calculated as follows:

Components and Weights

Class participation	20%
Group's hand-in cases and presentations	50%
Comprehensive Midterm (DPA)	15%
Comprehensive FINAL (DPA)	15%
Total	100%

At the end of the course your overall percentage will be converted to your letter grade in accordance with the following conversion scheme:

Grade	CFE Equivalent	Percent
A	Competent with Distinction	95-100
B+	Competent	75-89
B-	Reaching Competent	60-74
F	Fail	0-59

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Communication and Feedback

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation

reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University’s Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

POTENTIAL MODIFICATIONS TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in DPA 603 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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WEEK	TOPIC	TEXT BOOK
1	Introduction to Financial Reporting and F/S Analysis Ch 2 - Asset Valuation and Income Measurement	Wahlen, Ch. 1 and Ch 2
2	Income Flow vs Cash flow - Statement of Cash Flows / Free Cash flows	Wahlen, Ch. 3
3	W.T. Grant Case (hand in) Profitability Analysis (Ratios - ROA ROE)	Wahlen, Ch. 4
4	Risk Analysis	Wahlen, Ch. 5
5	Fly by Night (hand in) Accounting Quality	Wahlen, Ch. 6
6	Midterm week	
7	Financing Activities – Equity Financing, Debt, Leases	Wahlen, Ch.7,
8	Arbortech Case (hand in) Investing Activities – (tangible and intangible assets, BV vs MV of Long lived assets, Investment in Securities)	Wahlen, Ch. 8
9	Operating Activities – Revenue Rec / Inventory Valuation, Taxes	Wahlen, Ch. 9
10	Operating Activities – Revenue Rec / Inventory Valuation, Taxes, pension Delta and Pan Am Case (hand in) SUPERSONIC RECORDS (tentative)	Wahlen, Ch. 9 (continued)
11	Forecasting F/S Kroger case - Case (hand in)	Wahlen, Ch. 10
12	Valuation Models	Wahlen, Ch. 11-14