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|  | **ACCT 581 *Financial Statement Analysis*** |
| Course Syllabus Spring Semester 2016 Section 14276R Session [001](http://classes.usc.edu/term-20161/session/001/%20#content-main) Graduate Accounting Students, & Section 14277R Session [033](http://classes.usc.edu/term-20161/session/033/%20#content-main) Graduate Business StudentsClassroom Location: [JKP](http://classes.usc.edu/maps/?b=JKP)202Class Sessions: Tuesday and Thursday 2:00-3:20pm |
| Professor: John E. Karayan, JD PhD |
| Office: ACC 209 |
| Office Phone: 213.740.1180E-mail: jkarayan@marshall.usc.eduOffice Hours: MW 10-11 am; TTh 1-2 pm  |

**Special Dates** (session code **001 or 033**)

First day of classes: Monday, January 11, 2016

Last day to add: Friday, January 29, 2016

Last day to withdraw without a “W” Friday, February 26, 2016

Last day to drop with a mark of "W": Friday, April 8, 2016

**Course Description**

This is a case-and-applications-oriented graduate accounting course which focuses on the analysis of corporate financial reports from a decision-maker's perspective. Applications include credit analysis, equity valuation, and financial distress. The primary focus of the course is on analyzing and using publicly available financial reports for the purpose of financial analysis and valuation. The goal is to better use such information to evaluate the firm’s past and present performance as well as to better anticipate future performance.

**Learning Objectives**

Upon completion of this course, students should be better able to:

* Demonstrate understanding of financial statement information from a decision maker’s perspective, including appreciation of the usefulness and limitations of the information by comparing and contrasting financial information as prepared in accordance with GAAP to the economics of an entity’s operations
* Use accounting information for financial analysis, including credit analysis and equity valuation, in order to evaluate an entity’s past and present performance and predict likely future performance

Of the five Marshall Student Learning Outcomes which follow, this course focuses on Outcome 1:

1. *Technical, Conceptual, Problem-Solving Requirement*

Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting or taxation. This learning outcome includes the development of critical thinking and problem solving skills, as well as an understanding of the strategic role of accounting in business organizations and society.

1. *Professional Development Requirement*

Students will be able to communicate clearly, and strategically, after considering the relevant audience, situation and purpose of the communication. Students will develop the ability to work productively with others to accomplish established goals.

1. *Research/Life-Long Learning Requirement*

Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations.

1. *Ethical Principles and Professional Standards Requirement*

Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions.

1. *Globalization Requirement*

Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business.

To help students achieve these learning objectives, a combination of background reading, homework, lecture, interactive discussion, in-class problems, a group project, and periodic exams will be utilized. Students will demonstrate achievement of these learning objectives by individually working problems on quizzes and exams, and completing a group assignment.

**Required Materials**

Subramanyam, K.R. *Financial Statement Analysis,* 11th edition (McGraw Hill Higher Education, 2014) Hardcover ISBN 978-0-07-811096-2). This text was used in this class last semester.

Students are expected to regularly read a business periodical (e.g., *Wall Street Journal*, *The Economist*, or the Business Section of *Google News*) and thus be aware of key current business events as well as familiar with business English.

**Prerequisites and Recommended Preparation**

The prerequisite for this course is [GSBA 510](http://classes.usc.edu/term-20161/course/gsba-510/).

**Course Materials on Blackboard**

Supplemental class information will be posted on the class Blackboard web site.

**Grading Policies**

Students’ grades for this class will be determined by their relative performance on the following student deliverables. The maximum raw scores on these are:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Points** | **Approx. % of Total (e.g., Weighting)** | **Type** |  |
| Exam I  |  100 | 20% | (Individual) |  |
| Exam 2 |  100 | 20% | (Individual) |  |
| Final Exam  |  200 | 40% | (Individual) |  |
| Highest 3 of 4 Quizzes  |  60 | 10% | (Individual) |  |
| Team Assignment |  50 |  10% | (Group) |  |

 Total raw maximum 510

Raw scores may be adjusted by a percentage factor to reflect the difficulty of graded items relative to similar items in similar courses taught by the instructor. After each student’s total points, letter grades will be assigned according to Marshall School of Business grading guidelines.

Final grades represent how students perform in the class relative to other students. Three items are considered when assigning students’ grades for the course:

1. A student’s score for each of the items above weighted by the appropriate actor and summed.
2. A student’s overall percentage score for the course.
3. A student’s ranking among all students in the course(s) taught by the instructor during the current semester.

A grade of “W” is allowed only if a student withdraws after the official add period and before the end of the drop period during the semester.

The grade of incomplete (IN) can be assigned only if there is work not completed because of a documented illness or unforeseen emergency occurring after the drop period of the semester that prevents the student from completing the semester. An “emergency” is defined as a serious documented illness, or an unforeseen situation that is beyond the student’s control, that prevents a student from completing the semester. Arrangements for completing an IN must be initiated by the student and agreed to by the instructor prior to the final examination. All work required to replace the IN with a final grade must be completed within one calendar year from the date the IN was assigned. If the student does not complete the work within the year, the IN will automatically be converted to a grade of F.

**Assignments and Grading Detail**

*Quizzes and Exams*

Quizzes and exams will be closed book, closed notes. Students should bring pencils and erasers. There is no need to bring bluebooks or scratch paper: students can write on the exam.

Exams are non-cumulative. The format may include multiple-choice questions, short answer / brief essay questions, or problems. Preparing for exams involves dedication and ends only when a student can: 1) identify the relevant issues in a given business situation; 2) analyze the data and transform it into information to be used in a comprehensive answer; and 3) explain what the student did using techniques demonstrated in class.

Quizzes and the Midterm Exams normally will be returned and discussed in the next class session, and no more than one week after they have been given. After each test is returned there is a one-week reflection period during which students can contest a score by delivering a written explanation to the instructor. After this time, such scores and grades cannot be contested. All other score are final once given. Final exams are retained for a year, and then recycled.

The 3 Quizzes in this class will be given around a week before each exam, during the last 30 minutes of that class session, and reviewed in the following class session. The idea is to provide feedback to help students focus on what needs to be worked on the most prior to an exam.

No make-up quizzes will be offered. Instead, the lowest score on the 4 quizzes will be dropped.

The Leventhal School of Accounting policy is that exams should not be missed unless there is a very serious emergency AND it can be properly documented. Also, to the extent possible, students must inform the instructor of the emergency prior to the exam. (It is understood this is not always possible). If a student misses a quiz or exam for something other than a serious emergency and/or the student cannot provide documentation, the student will receive a zero grade on that quiz or exam.

However, if there is a serious emergency, the student provides proper documentation and (when possible) have notified the instructor before the quiz or midterm, a substitute grade will be calculated based on the raw score on next exam.

The final exam must be taken at the scheduled time unless an incomplete contract has previously been approved according to Leventhal School of Accounting guidelines.

*In-class Exercises*

At various points during the semester, unannounced exercises will be introduced to provide students with examples of kind of material they might expect to see on exams. These exercises can be completed by groups of up to four members.

*Team Assignment*

Teams of about 6 students will be selected on a systematic random basis by the instructor. Each team will be assigned a publicly traded firm to analyze. Details will be handed out during the semester.

**MARSHALL GUIDELINES**

**Learning Goals** In this class, emphasis will be placed on the USC Marshall School of Business learning goals as follows:

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| --- | --- | --- |
| **Goal** | **Description** | **Course Emphasis** |
| 1 | Our graduates will understand types of markets and key business areas and their interaction *to effectively manage different types of enterprises* | Medium |
| 2 | Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions *so as to anticipate new opportunities in any marketplace* | Low |
| 3 | Our graduates will demonstrate critical thinking skills *so as to become future-oriented decision makers, problem solvers and innovators* | Medium |
| 4 | Our graduates will develop people and leadership skills to promote their effectiveness *as business managers and leaders* | Low |
| 5 | Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities *and aspire to add value to society* | Low |
| 6 | Our graduates will be effective communicators *to facilitate information flow in organizational, social, and intercultural contexts* | Low |

**Add / Drop Process**Students may add the class as space becomes available via Web Registration through the registration deadline.

**Retention of Graded Coursework**

Graded work that has not been returned will be retained for one year after the end of the semester. Any other materials not picked up by the end of the semester will be recycled after final grades have been submitted.

**Technology Policy**

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the professor. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. Upon request, all electronic devices in your possession (e.g., cell / smart phones, tablets, laptops, etc.) must be completely turned off and / or put face down on the desk in front of you.

In addition, at certain times (i.e., during exams), you might also be asked to deposit your devices in a designated area in the classroom. Video recording of faculty lectures is not permitted due to copyright infringement regulations. Audio recording is only permitted if approved in advance by the professor. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

**Recordings**

No student may record any lecture, class discussion or meeting with the professor without the professor’s prior express written permission. The word “record” or the act of recording includes, but is not limited to, any and all means by which sound or visual images can be stored, duplicated or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. The professor reserves all rights, including copyright, to lectures, course syllabi and related materials, including summaries, PowerPoints, prior exams, answer keys, and all supplementary course materials available to the students enrolled in this class whether posted on Blackboard or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites. Exceptions are made for students who have made prior arrangements with DSP and the professor.

**Statement for Students with Disabilities**

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to the professor as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. – 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit [www.usc.edu/disability](http://www.usc.edu/disability).

**Statement on Academic Conduct and Support Systems**

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one’s own academic work from misuse by others as well as to avoid using another’s work as one’s own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

**Academic Conduct**

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Section 11, Behavior Violating University Standards (<https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct (<http://policy.usc.edu/scientific-misconduct/>).

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the Office of Equity and Diversity (<http://equity.usc.edu/>) or to the Department of Public Safety (<http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>). This is important for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. The Center for Women and Men (<http://www.usc.edu/student-affairs/cwm/>) provides 24/7 confidential support, and the sexual assault resource center webpage (sarc@usc.edu) describes reporting options and other resources.

**Support Systems**

A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the American Language Institute (<http://dornsife.usc.edu/ali>), which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs (<http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html>) provides certification for students with disabilities and helps arrange the relevant accommodations

**Emergency Preparedness / Course Continuity**

If an officially declared emergency makes travel to campus infeasible, USC Emergency Information (<http://emergency.usc.edu/>) will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology. USC's Blackboard learning management system and support information is available at [blackboard.usc.edu](http://blackboard.usc.edu/).

For additional information, you may use any of the following:

**USC Emergency – (213) 740-4321**

**USC Emergency Information – (213) 740-9233**

**USC Information – (213) 740-2311**

**KUSC Radio – 91.5 FM**

**Schedule of Class Sessions**

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| Session | Date | Topic | Reading to be done to prepare for session | Problems to be done to prepare for session |
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| 1 | 1/12 | Introduction  |  |  |
| 2 | 1/14 | Overview of Financial Analysis | Ch 1 | E1-2, E1-8,E1-14, P1-2  |
| 3 | 1/19 | Overview of Financial Analysis -- Valuation |  | P1-8, E1-15,P1-12, Case 1-1 |
| 4 |  1/21 | Financial Reporting and Analysis | Ch 2 | E2-1, E2-2,P2-6, P2-7 |
| 5 | 1/26 | Financial Reporting and Analysis |  | P2-12, P2-13,P2-14, P2-17 |
| 6 | 1/28 | Analysis of Financing Activities | Ch 3 | E3-1, E3-5,E3-7, E3-8 |
| 7 | 2/2 | Analysis of Financing Activities |  | P3-1, P 3-3,P3-6, Case 3-6 |
| 8 | 2/4 | Analysis of Investing Activities | Ch 4 | E4-5, E4-10,P4-1, P4-5 |
| 9 | 2/9 | Analysis of Investing Activities |  | P4-7,P4-9, P4-11, Case 4-1 |
| 10 | 2/11 | Analysis of Intercorporate Investing**Quiz #1 (Ch 1-4)** | Ch 5 | E5-1,E 5-3,E 5-4, E5-5 |
| 11 | 2/16 | **Review of Quiz #1**Analysis of Intercorporate Investing |  | P5-3, P5-4,P5-5, Case 5-2 |
| 12 | 2/18 | Analysis of Operating Activities | Ch 6 | E6-4, E6-6,E6-11, E6-12 |
|  13 | 2/23 | **Exam #1** |  |  |
| 14 | 2/25 | **Review of Exam # 1**Analysis of Operating Activities |  | E6-18, E6-4P6-5, Case 6-1 |
| 15 | 3/1 | Cash Flow Analysis | Ch 7 | E7-1, E7-3,E7-8, E 7-9 |
| 16 | 3/3 | Cash Flow Analysis |  | P7-4, Case 7-3,Case 7-4 |
| 17 | 3/8 | Return on Invested Capital Analysis | Ch 8 | E8-2, E8-3E8-7, E8-10 |
| 18 | 3/10 | Return on Invested Capital Analysis |  | P8-1, P8-2,P8-8 |
|  | **3/15** | **Spring Break** |  |  |
|  | **3/17** | **Spring Break** |  |  |
| 19 | 3/22 | Prospective Analysis | Ch 9 | E9-1, E9-4 |
| 20 | 3/24 | Prospective Analysis**Quiz #2 (Ch 5-8)**  |  | P9-1, P9-4 |
| 21 | 3/29 | **Review of Quiz #2**Credit Analysis  | Ch 10 | E10-1, E10-4, E10-5, E10-6 |
| 22 | 3/31 | Credit Analysis |  | P10-1, P10-5P P10-12 |
| 23 | 4/5 | Equity Analysis & Valuation | Ch 11 |  |
| 24 | 4/7 | **Exam #2 (Ch 5-8)** |  |  |
| 25 | 4/12 | **Review of Exam #2**Equity Analysis & Valuation |  | E11-1, E11-4 |
| 26 | 4/14 | Equity Analysis & Valuation  |  | P 11-2, P11-3 |
| 27 | 4/19 | Group Presentations |  |  |
| 28 | 4/21 | Equity Analysis & Valuation**Quiz #3 (Ch 9-11)** |  | P11-4, Case 11-3 |
| 29 | 4/26 | **Review of Quiz #3**Group Presentations |  |  |
| 30 | 4/28 | Review for Final |  |  |
| **Final** | **5/5** | **Final Exam** (Ch 9-11) |  **Thursday, 2-4 p.m.** |
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The Leventhal School of Accounting adheres strictly to the grading standards of the University and the School of Business Administration. Additionally, the Leventhal School of Accounting has supplemented those standards with certain others. For students' convenience, and to prevent misunderstanding, these additional standards are summarized below.

**GRADING STANDARDS**

The following grades are used: A - excellent; B - good; C - fair; D - minimum passing; F failure. The grade of F is awarded for failing work at the end of the semester. The assignment of minuses and pluses when earned is required.

The grade of W (Withdraw) is assigned if the student officially withdraws after the third week but before the end of the twelfth week of the semester. No withdrawals will be permitted after the end of the twelfth week except by student petition to the University's Committee on Academic Policies and Procedures.

Students may elect to audit courses during the first three weeks of the semester. A course taken for audit (V) will be assessed at the current tuition rate. A course taken for audit (V) will not receive credit and will not appear on the USC transcript or grade report. Under no circumstances will the University allow a change in the registration status of a course from letter grade or credit to audit (V) or vice versa after the third week of a given semester.

The grade of IN (Incomplete, i.e., work not completed because of documented illness or some other emergency occurring after the twelfth week of the semester) is reserved for those highly unusual cases where, due to circumstances judged fit by the Dean of the Leventhal School of Accounting, the student is unable to complete a specified single item of the course requirements by the time final grades are submitted.

IN grades can be removed only by the student completing the missing requirements of the course to the satisfaction of the instructor.

Marks of IN in courses numbered below 500 must be removed by the end of the semester following the one in which the mark of IN was assigned. If not removed within the specified time limit, marks of IN automatically become marks of IX (expired incomplete), with the exception of thesis and dissertation, and compute in the GPA as an F. A student may remove the IN only by completing the work not finished as a result of illness or emergency. It is not possible to remove an incomplete by re-registering for the course. Previously graded work may not be repeated for credit.

**G.P.A. PREREQUISITES FOR UNDERGRADUATE ACCOUNTING COURSES**

The following are grade point average prerequisites for any undergraduate student enrolled in any accounting course. Individual instructors may not waive these standards: (1) an average grade of B or better in BUAD 285ab or BUAD 286ab with neither grade lower than a B-; or (2) if applicable, transfer students are required to meet an average grade of B in the two transferred accounting courses and BUAD 305x (with neither grade lower than a B-).

In meeting the B (3.0) average required for admission to the Leventhal School of Accounting, only one of the courses may be repeated. If the repeated course grade is higher, that grade will be considered in determining whether the student meets the B average for admission, and the original course grade will be disregarded by the Leventhal School. See Repeated Course Work at USC, USC Catalogue, for further restrictions on including grades in repeated classes in the overall grade point average computation.

In computing grade point average prerequisites, BUAD 285ab or BUAD 286ab, BUAD 302T and BUAD 305x will be considered accounting courses.

Grades in accounting courses taken at other institutions will not be included in the computation of the cumulative accounting grade point average. Exception: transfer students taking BUAD 305x and seeking admission to the School of Accounting.

When a student's cumulative accounting grade point average falls below 2.7, the student is placed on probation. If a student on probation does not regain a minimum accounting cumulative GPA of 2.7 after completing the next 12 semester hours in all courses (including accounting courses) attempted within the University, that student will not be permitted to continue as an accounting major in the Leventhal School of Accounting. Exceptions to this policy may be granted only in unusual circumstances by the Academic Standards Committee of the Leventhal School of Accounting. Decisions of the Academic Standards Committee are final.

To be removed from probationary status, a student may elect either to take another accounting course or courses for which prerequisites are met or to repeat an accounting course or courses in an attempt to earn a higher grade. Regardless of the course of action taken, all courses completed will be counted in computing the cumulative accounting grade point average.

The grade of "W" in an accounting course taken while a student is on probation will not extend probation. The probation period ends at the end of that semester during which the student completes a cumulative total of 12 semester hours of courses in any subject(s) at the university. Under no conditions will the student be permitted more than two successive semesters, including the summer semester, to complete the 12 semester hours of courses.

Students must attain a minimum 2.7 cumulative accounting grade point average to graduate with a Bachelor of Science in Accounting degree. **OTHER ACADEMIC STANDARDS**

1. The ability of students to write clearly and concisely is a necessary prerequisite to success in accounting work. Accordingly, students will be required to demonstrate writing capability in all accounting courses. This may be accomplished primarily through the inclusion of essay-type questions on course examinations.
2. No unregistered students are permitted to attend accounting classes regularly.

**Important Dates for Spring 2016**

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| First Day of Class **(Regular Session and Session 431)** | Monday, January 11 |
| Accounting Orientation – ACCT 370 lab time | Friday, January 15 **(10am)** |
| Martin Luther King Jr. Birthday, University Holiday | Monday, January 18 |
| Last Day to Add or Drop without a "W" **(1st Half Session 431)** | Tuesday , January 19 |
| USC Career Fest | Monday, January 25 - Friday, January 29 |
| Last Day to Add or Drop without a "W" **(Regular Session)** | Friday, January 29 |
| Last Day to change P/NP to letter grade **(1st Half Session 431)** | Tuesday, February 2 |
| USC Career Day | Thursday, February 4  |
| Resumes for Spring Resume Book Due | Friday, February 5 **(8am)** |
| Leventhal Scholarship Applications Due | Monday, February 8 |
| Summer Leadership Programs, Information Session Panel | Friday, February 12 **(Noon)**  |
| President’s Day, University Holiday | Monday, February 15 |
| Last Day to Drop with “W” **(1st Half Session 431)** | Tuesday, February 16 |
| Meet the Firms – Galen Center (Accounting Society) | Thursday, February 18 **(6-9pm)** |
| Last Day to change P/NP to letter grade **(Regular Session)** | Friday, February 26 |
| Final Examinations **(1st Half Session 431)** | Monday, February 29 - Friday, March 4  |
| First Day of Class **(2nd Half Session 442)** | Monday, March 7 |
| Spring Break | Monday, March 14 - Friday, March 18 |
| Last Day to Add or Drop without a "W" **(2nd Half Session 442)** | Tuesday, March 15 |
| Last Day to change P/NP to letter grade **(2nd Half Session 442)** | Wednesday, March 30  |
| Last Day to Drop with a "W" **(Regular Session)** | Friday, April 8 |
| Last Day to Drop with “W” **(2nd Half Session 442)** | Monday, April 18 |
| LSOA Annual Scholarship Dinner  | Thursday, April 21 |
| Final Examinations **(Regular Session and Session 442)** | Wednesday, May 4 - Wednesday, May 11 |
| Commencement  | Friday, May 13 |