

TENTATIVE

University of Illinois at Chicago
College of Business Administration
Accounting 495
Spring 2007

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TEXT: Crafting and Executing Strategy, 15th Edition, by Thompson Jr,
Strickland III, and Gamble

PROJECT: Financial Statement Analysis Project

COURSE DESCRIPTION: This course covers accounting issues uniquely confronted by the total enterprise.

COURSE OBJECTIVES: The primary focus of this course is to provide an overview of the whole spectrum of business and management. We will draw on real business problems, economics, and finance to help you understand what is contained in financial reports, why the information is presented in a particular way, and how to develop and interpret financial reports.

The content of this course includes fundamental financial accounting concepts and methods across countries. The primary objectives of this course are: (1) to gain knowledge of the functions, practices, limitations, and challenges of crafting a well-conceived strategy and executing it competently, and (2) to gain a foundation for further learning of the role accounting plays in strategy formulation and implementation.

FIRST ASSIGNMENT: You should prepare for the first class session by reading Chapter 1 and completing the written assignments for session #1 listed on the syllabus which follows. **Also, bring to the first session an annual report of a company that interests you.**

CLASS PREPARATION: Accounting is similar to learning a foreign language, which can only be mastered by doing. Written assignments are in integral part of the learning process in this course. To receive maximum benefits from the class, reading and written homework assignments should be completed/attempted prior to the session assignment.

As you are doing written assignments and questions arise, I welcome your telephone inquiries. You should not spend hours trying to figure out how to do an assignment. A quick phone call could reduce any frustration and help you better manage your time. If I am unavailable when you call, leave a message and I will respond as soon as possible.

HOMEWORK: Written assignments may be done on the computer or alternatively should be on lined paper, neatly written. Use of pencil is encouraged. Homework will be collected each week. Assignments are evaluated on completeness and effort. Solutions to the exercises will be made available. Late homework will be accepted within one week of the due date, but only half credit will be awarded. If you are not in class, homework can be faxed at above number. You may work in study groups on these assignments. However, **each individual must turn in his/her homework.** Photocopies of a group homework set are **not** acceptable.

EXAMINATIONS: Examinations are closed book. Examination success depends heavily on your mastery of the homework assignments and in class lecture and discussion. Not all topics covered in the text are of equal importance. Therefore, use assignments, lecture outlines and class discussions as a guide. **Examinations are team based.**

You are encouraged to study/prepare for examinations individually, as well as with your team. The Student Study Guide is a helpful review tool and should be utilized as a supplement to the textbook.

USE OF TEAMS: This course utilizes teams for the mid-term and final examinations, as well as for preparation and presentations required in the financial analysis project (described below). **You will be asked to form your own teams by the beginning of Session #2.** We will gain knowledge of student backgrounds and experience in Session #1 to assist in team selections. Teams ideally will be of equal number. Facts and circumstances may result in team adjustments to ensure fairness to all members of the class.

FINANCIAL ANALYSIS PROJECT: This financial analysis project is designed to develop your ability to understand and analyze published financial reports. You will be ready to begin the project after Session #3. In your syllabus, you will find detailed information about the case project including company selections, project writing guidelines, and evaluation criteria.

You may discuss the project with members of your team. You may **not** seek help with the project from other individuals or investment newsletters. You may use your textbooks, class notes, or other reference materials. Any use of outside reference materials should be cited in your answers. Use of course readings and cases is encouraged.

Each group is to submit a completed typed copy of the project no later than class Session #14. Graded projects will be returned to the team.

<u>GRADING:</u>	Exam #1	30%
	Exam #2	30%
	Financial Analysis Project	30%
	Class Preparation & Written Homework	10%
		100%

Accounting 495 Financial Statement Analysis Project

Assignment Learning Objectives

- ? To apply the tools learned in the course to conduct a thorough analysis and present a well-supported recommendation regarding a company's financial condition.
- ? To learn to use outside rating services, such as Standard & Poor's.
- ? To practice the preparation and delivery of a financial report and presentation.

Assignment Objective: To make a recommendation to current and potential investors regarding the financial condition of a public company.

Audience: Present and potential investors of this public company, which will be your subject company.

Assignment Deliverables:

- Presentation** – presents recommendations, and an OVERVIEW of key issues
- ? Includes key categories of analysis, and displays conclusions visually.
 - ? Each team members should present.
 - ? Maximum 15 minutes length, plus 10 minutes for questions.

- Reports** – present conclusions and complete analysis
- ? Calculations should be included.
 - ? Copies of presentation slides may suffice as text, but supporting calculations should be added
 - ? Length described below under “Packaging”.

Assignment Process Steps

1. **Select a company** which is public, so that you can obtain annual reports.

NOTE: The subject company may be the employer of one group member, however this is subject to the instructor's discretion

2. **Select a direct competitor** of your subject to use for comparison.

NOTE: It is important that you find a comparable public company to conduct your comparison, If you cannot find a competitor that is public, you will have to choose another subject company. Due to the difficulties often encountered in finding a competitor that is an exact match, a company can be considered a competitor if it competes in at least one market sector with your subject company.

3. **Obtain annual reports** for both your subject company and the competitor. Annual report can be obtained by contacting investor relations at the company, through securities dealers, or on-line from a company's web site. You will want a range, e.g. '00-'05.

4. **Research the company in at least ONE outside source.** You will use the information from this source to put your analysis and conclusions in perspective, or to suggest areas of inquiry. Investor resources such as Standard and Poor's, Moody's, and Value Line are available at most local libraries.
5. **Conduct a financial statement analysis**, using the analytical techniques presented in the text and class discussions.
 - ? Calculate financial ratios from the five key areas: liquidity, profitability, long-term solvency, cash flow and market strength. Be alert for "red flags," ratios that appear significant when compared to the prior year, the competitor, or industry averages. What is your interpretation of these differences?
 - ? Apply both horizontal and vertical analysis techniques (e.g. comparative, trend, common-size).
6. **Research other useful sources of information:**
 - ? The company's 10-K (available on the Internet at <http://www.sec.gov/searchedgar/webusers.htm> if a company filed with SEC electronically)
 - ? Current prospectus
 - ? Proxy statements
 - ? Articles in recent business publications
 - ? Current stock price and dividend from the Wall Street Journal
 - ? Publications such as U.S. Industrial Outlook and Standard & Poor's Industry Surveys for industry averages where appropriate

Project Timeline

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|-------------------|---|
| Session 4 | Subject company and competitor selected. Give copies of annual reports to instructor. Five minute class presentation announcing which company and competitor your team has selected and why. |
| Session 9 | Historical perspective, familiarity with accounting practices, and data from outside source completed, Turn in a summary (1-2 pp.) of significant findings and the impact you anticipate they will have on the financial position of the company. Five minute presentation summarizing your findings. |
| Session 13 | Financial statement analysis well under way. Prepare a list of the analytical tools you are using – a written version for the instructor and five minute presentation for the class. |
| Session 14 | Report due and team presentations delivered in class. |

Required Report Components and “Packaging”

Executive Summary: Gives your recommendations and the major support from your analysis.
1 page

Historical Perspective: Highlights significant facts and trends (financial, cultural, political, etc.) that are relevant to your analysis and to your conclusions. Three pages maximum

NOTE: to best understand your subject company, you will want to be thorough in your research, but you will focus on historical information selectively in your report and presentation.

Accounting Practices: Describes the accounting practices used by the subject company. May address the practices of the competitor company if there are significant differences that will have impact on the analysis and conclusions. Three pages maximum

Analysis Section: Presents the analytical tools applied to the financial statements. May include prose, charts and/or graphs. Discusses and supports issues, conclusions based on calculations. Present financial analysis, focuses audience on significant facts, calculations, etc.

No page limit. Slides from presentation can be used, but full calculations should be shown.

Evaluation Criteria

The project will be evaluated on the thoroughness of the analysis of the financial condition of the company and the team’s ability to effectively convey what you have learned to your audience.

75% of the grade will be derived from the written portion of the project. The following criteria will be used:

- ? Inclusions of all required parts set forth in the “Packaging” Description
- ? Insights drawn from historical perspective, outside sources, and financial statement analysis and their integration into the final recommendation
- ? Accuracy of calculations
- ? Adherence to page constraints and Professional Writing Standards

The balance, 25%, of the grade will be derived from the team presentation. The following criteria will be used:

- ? Participation by all members of the team
- ? Linkage of individual portions to the overall objective of the presentation
- ? Clear, concise presentations and visual aids
- ? Ability to answer reasonable questions posed during 10 minute Q & A following formal presentation
- ? Adherence to time constraints

<u>Week</u>	<u>Chapter</u>	<u>Reading Assignments/Topics</u>	<u>Exercises & Problems</u>	<u>Cases</u>
1	1	What is Strategy and Why Is it Important?	1, 2	1
2	2	The Managerial Process of Crafting and Executing Strategy	1, 2	2-4
3	3	Evaluating a Company's External Environment Guest Speaker	1, 2	5-7
4	4	Evaluating a Company's Resources and Competitive Position	1, 2	8-10
5	5	The Five Generic Competitive Strategies: Which One to Employ?	1, 2	11-13
6	6	Supplementing the Chosen Competitive Strategy" Other Important Strategy Choices Mid-Term Exam	1, 2	14-16
7	7	Competing in Foreign Markets	1, 2	17-19
8	8	Tailoring Strategy to Fit Specific Industry and Company Situations	1, 2	20-22
9	9	Diversification: Strategies for Managing a Group of Businesses	1, 2	23-25
10	10	Strategies, Ethics, and Social Responsibility	1, 2	26-28

<u>Week</u>	<u>Chapter</u>	<u>Reading Assignments/Topics</u>	<u>Exercises & Problems</u>	<u>Cases</u>
11	11	Building an Organization Capable of Good Strategy Execution Guest Speaker	1, 2	29-31
12	12	Managing Internal Operations: Actions That promote Good Execution	1, 2	32-33
13	13	Corporate Culture and Leadership: Keys to Good Strategy Execution	1, 2	
14		Projects Due		
15		Final Exam		