

BA 4818/5818– Analysis of Financial Statements
Tuesday and Thursday 10:40-11:55 @ G 107

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| Instructor: | Dr. Hande Ayaydın Hacıömeroğlu |
| Office: | FEAS Building B, H 121 |
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| Office Hours: | Monday and Wednesday 10:40-11:55 |
| Course Web Page: | https://odtuclass.metu.edu.tr/ Students are a natural member of ODTU Class. All the course material including power point slides and solutions to end of chapter problems, your grades, assignments and announcements will be posted there. In order to not to miss anything, please check your METU e-mail accounts regularly. |
| Course Description: | |
| <p>Any analyst should be able to examine the financial tables and decide about the financial position of these companies. The lecture includes the in debt analysis of the financial statements; balance sheet, income statement and cash flow statement. Furthermore, the students will know the analysis of investing, financing and operating activities.</p> <p>This is not an introductory accounting course, but an intermediate analysis of financial statements course thus I expect each student who enrolled in BA4818 (BA5818) to have completed a Financial Accounting and Management course (BA 1402 or BA 5401 or their equivalent and BA 2802 or BA5802 or their equivalent). Also, students should have completed basic courses in economics and statistics. Moreover, it is better if they are capable of using a spreadsheet program like EXCEL.</p> | |
| Course Student Learning Objectives: (CSLO) | |
| <p><i>Upon successful completion of this course, students should be able to:</i></p> <p>Course Specific Skills:</p> <ol style="list-style-type: none"> 1. Describe the relevance of financial statements in the business analysis 2. Understand financial reporting environment and the information included in financial statements 3. Understand the meaning of figures in financial statements, especially in balance sheet, income statement and cash flow statement 4. Understand the details of accounts in the mentioned financial statements 5. Describe financial, investing and operating activities 6. Find the information s/he needs in order to analyze the financial condition of the company 7. Verify the different stockholders of the company 8. Calculate the financial ratios and interpret them 9. Identify the strength and weaknesses of the company 10. Value the company <p>Discipline Specific Skills:</p> <p>Develop an understanding of:</p> <ol style="list-style-type: none"> 11. Details of different financial statements 12. How to interpret the figures in the financial statements 13. Using these financial statements to decide on the financial position of the company <p>Personal and Key Skills:</p> <ol style="list-style-type: none"> 14. Develop problem solving skills 15. Develop writing and discussion skills | |
| Learning and Teaching Methods: | |
| This course is going to make use of formal lectures, in-class discussions, quizzes and problem solving. | |
| Required Reading: | |
| Subramanyam, K. R. and Wild, J. J. <u>Financial Statement Analysis</u> , 10 th Edition, 2009, McGraw-Hill International Edition. | |

| Assessment and Grading: | | | | |
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| Form of Assessment | % Contribution | Size of the assessment | CSLOs covered by this assessment | Feedback Method |
| Interim Exam | 26 | 120-minute essay-type examination | 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Written and oral (during office hours) |
| Final | 26 | 120-minute essay-type examination | 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Written and oral (during office hours) |
| Case Report and Discussion | 13 | Self-study hours and discussion during class hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Written and oral (during class hours) |
| Course Project and Presentation | 15 | Self-study hours and 20-minutes presentation during class hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Written and oral (during class hours) |
| In-Class Quiz | 10 | 15-minute essay-single question examination during class hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Written and oral (during office hours) |
| Reading Material Discussions and Reports | 10 | Self-study hours and discussion during class hours | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 | Oral (during class hours) |

No “extra” work above the aforementioned will be accepted or credited.

Make-up Examinations: If you miss an exam you should prove that you have a valid reason with a valid document, i.e. doctor report. In this circumstance, please make sure you notify me before the exam or as soon as possible after the exam. **All students who missed an exam with a valid reason during the semester will be asked to take a comprehensive exam that will be given during the period of final exams regardless of which exam they missed during the semester.**

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:

Course Requirements: The students will be assigned readings from the textbook and are expected to come to class prepared and ready to take part in class discussions.

Attendance is strictly advised in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

Exams: There will be **one interim exam and a final** in this lecture. The exams will be closed notes closed book basis.

Case Discussion: I will assign each student into groups of 3 or 4 students, the number of group members will be decided for you by the instructor after the registration period. **Each group will prepare a written (word processed) analysis of the case. The details of the case will be presented later during the semester.** At the end of the term each of you will be required to provide an evaluation of the

contribution of each of the group members to the group's output. The case will be due on **December 13, 2022 lecture hours.**

Course Project and Presentation:

The course project will be held in groups. You form your own groups of 3 to 4 students and the number of group members will be decided for you by the instructor after the registration period. You are required to choose a company which is listed in Borsa İstanbul to examine and obtain its financial statements. **You must register your choice with the lecturer and obtain the approval.** At the end of the semester you will have to present and discuss your main findings. You can use visual aids in your presentation. In addition, at the end of the term each of you will be required to provide an evaluation of the contribution of each of the group members to the group's output. The project presentations will be at the last week of classes. **The project report will be due on January 13, 2023 by 12:00 p.m.**

Quizzes: There will be **unannounced** quizzes during some classes. You will be asked one or two questions about the material covered in that lecture or the previous lectures. **There won't be any make-up quizzes.**

Discussions: There will also be pre-assigned readings which will be discussed during the lecture. Please read them carefully and attend the discussions. **I also ask you to prepare a written document not longer than 1 or 2 pages related to the discussions.**

Reading Assignments: The following pages give the schedule for the reading assignments. The lectures will stress the most important and/or most difficult material.

Presentation Slides: A copy of the presentation slides is available at the course web page. These slides can be used as chapter summaries and utilized while taking down notes during class.

STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS/MBA degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty

or the Graduate School of Social Sciences for additional disciplinary action and **also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.**

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!
<http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Notes:

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- Please arrive on time and do not enter the classroom if I already have closed the classroom doors. If you have to leave early, please inform me in advance. If, due to uncontrollable circumstances, you end up being late for class, please wait outside until the first in-class break during which I will open the classroom door and let you in.
- You are encouraged to drop by my office during office hours for questions, concerns, or suggestions. Outside the office hours, please make an appointment with me in advance, before or

after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with me.

Good luck to all of you and let's have a very enjoyable semester together!!

Don't be Trashy. **Recycle.**

Do not throw items away in the trash that should go into the recycling bin.

REDUCE, REUSE, RECYCLE!

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. The students are required to read the chapters before they are covered in class.

| Tentative Course Schedule | | | | |
|----------------------------------|------------|---|---------------------------|--|
| Month | Day | Topic | Reading/Assignment | CSLO |
| October | 4 | Introduction Overview of Financial Statement Analysis | Chapter 1 | 1, 11, 14, 15 |
| | 6 | Overview of Financial Statement Analysis (cont.'d) | Chapter 1 | 1, 11, 14, 15 |
| | 11 | Financial Reporting and Analysis | Chapter 2 | 2, 11, 14, 15 |
| | 13 | Financial Reporting and Analysis (cont.'d) | Chapter 2 | 2, 11, 14, 15 |
| October | 18 | Reading Material Report and Discussion | | |
| | 20 | Cash Flow Analysis | Chapter 7 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 25 | Cash Flow Analysis (cont.'d) | Chapter 7 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 27 | Prospective Analysis | Chapter 9 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| November | 1 | Prospective Analysis (cont.'d) | Chapter 9 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 3 | Return on Invested Capital and Profitability Analysis | Chapter 8 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 8 | Return on Invested Capital and Profitability Analysis (cont.'d) | Chapter 8 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 10 | Credit Analysis | Chapter 10 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 15 | Credit Analysis (cont.'d) | Chapter 10 | 3, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 17 | Equity Analysis and Valuation | Chapter 11 | 3, 6, 7, 8, 9, 10 11, 12, 13, 14, 15 |
| | 22 | Equity Analysis and Valuation (cont.'d) | Chapter 11 | 3, 6, 7, 8, 9, 10 11, 12, 13, 14, 15 |
| November | 22 | Interim Exam (Chapters Included: 1, 2, 7, 8, 9, and 10) at 17:45 | | |
| November | 24 | Guest Speaker (via zoom) | | |
| | 29 | Analyzing Financial Activities | Chapter 3 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| December | 1 | Analyzing Financial Activities (cont.'d) | Chapter 3 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 6 | Analyzing Financial Activities (cont.'d) | Chapter 3 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 8 | Analyzing Investing Activities | Chapter 4 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| December | 13 | Case Discussion | | |
| | 15 | Analyzing Investing Activities (cont.'d) | Chapter 4 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 20 | Analyzing Investing Activities: Incorporate Investments | Chapter 5 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |

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| | 22 | Analyzing Investing Activities: Incorporate Investments (cont.'d) | Chapter 5 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 27 | Analyzing Operating Activities | Chapter 6 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| | 29 | Analyzing Operating Activities | Chapter 6 | 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 |
| January | 3 | Project Presentation | | |
| January | 5 | Project Presentation | | |
| January | 13 | Project is due by 12:00 p.m. | | |
| January | TBA | Final (Chapters Included: 11, 3, 4, 5, and 6) at TBA | | |