

York University
Faculty of Liberal Arts & Professional Studies
School of Administrative Studies
ADMS 4535 Financial Statement Analysis Fall 2024
DRAFT AND SUBJECT TO CHANGE

DATE & TIME: Thursday, 7:00 p.m. to 10:00 p.m.

INSTRUCTOR: Binu Mathai, BA, MAcc, CPA, CA, CBV, CIA, CFE
Email: bmathai@yorku.ca

WEBSITE: See eClass website

LOCATION: DB 0005, and some classes online via Zoom

For any class conducted remotely via Zoom, students will be required to have video turned on and audio functionality throughout the duration of the class

TEXTBOOKS / PREREQUISITES:

No textbook. Students must attend class. I will provide lecture notes and post them on the course website. A lot of the reading will also be related to companies we are analyzing.

Prerequisite: ADMS 3530

LEARNING OBJECTIVES:

In addition to learning key concepts about the overall analysis process, a key aspect of this course is your practical application of the concepts on several companies. You will be working with actual public company disclosures and practicing extracting insights from them. Specific learning objectives include:

1. Increase knowledge of different types of businesses and business models.
2. Learn and practice implementing a comprehensive process for analyzing firms.
3. Learn how strategy and other qualitative considerations fit into the overall analysis process.
4. Learn how to evaluate the quality of financial reporting and adjust statements for analytical purposes.
5. Learn fundamental analytical techniques.
6. Learn how to use financial statements as well as other key information sources to analyze corporate performance.
7. Learn how to think strategically using financial statement analysis.
8. Learn how to put all this together into a comprehensive analysis of one or more companies.
9. Gain familiarity with navigating through public disclosures.
10. Improve the ability to craft a message and deliver it effectively (both written and verbal).
11. Practice developing quality content under time constraints.

GRADING SCHEME:

Company snapshot summaries (individual)		10%
<u>In class</u>		
In class participation (individual)	10%	
In class presentations – content and delivery (individual)	15%	
In class presentations – content and delivery (group)	<u>5%</u>	30%
<u>Major assignments (group)</u>		
Assignment 1 – strategy, other qualitative considerations and preliminary analytics	15%	
Assignment 2 – accounting analysis and fundamental analytics	20%	
Assignment 3 – comprehensive report	<u>25%</u>	60%
Total		100%

NOTES:

1. COMPANY SNAPSHOT SUMMARIES

Students will prepare a one page Word or PowerPoint summary about companies they select, aligned with the criteria provided in the Course Outline. The purpose of these snapshots is for you to:

- Get exposed to more business models
- Practice preparing concise, effective summaries
- Practice preparing quality deliverables in a short amount of time
- Develop the ability to get a solid big picture understanding of a company using public disclosures in a short amount of time

You are advised to **spend a maximum of 60-90 minutes** outside of class to prepare each of these summaries. Although this may not appear to be enough time at the beginning of the semester, as the semester progresses you should see an improvement in your ability to identify and summarize key information effectively. The minimum sections that you must include in each summary, based on a review of the **latest annual report**, are:

- Qualitative details
 - o Background: What does it sell? Where does it do business? Who it sells to? Different segments? Competitive advantage? Etc.
 - o Identification and summary of key operational performance indicators that are available in the annual report
 - o Description of top 3 risks
- Financial details
 - o Key ratios for the past 2 years. At a minimum: return on equity, return on assets, operating margin, net margin, asset turnover, asset to equity ratio
 - o Most recent year over year growth of the following, at a minimum: sales, net income, total assets, total liabilities, total equity, cash flow from operations, cash flows from investing activities, net cash flows (show values of base amounts and the growth figures)
 - o Key summary financials (e.g. amounts, ratios, growth, etc.) of its segments (as applicable)
 - o **NOTE:** you should prepare your financial tables in Excel and paste them in a visually appealing way into your Word/PowerPoint summary
- Commentary
 - o Your high level commentary about the strengths, weaknesses and other observations of the company based on the qualitative and financial details you have provided

All of your Company Snapshots throughout the course will be assessed holistically and the assessment will be based on the **quality, professionalism, breadth and depth of your work and improvement throughout the course.**

2. IN CLASS PARTICIPATION

You will develop your analytical skills better by attending and actively engaging during class. Like most things, the more you practice and the more insights you are exposed to, the better you (and your assignments) become. **Your attendance, punctuality, engagement, group presentation evaluations* and quality of contributions throughout the semester contribute to your "Participation" grade.**

* "Group presentation evaluations": During the In Class Presentations, you will be filling in an evaluation form related to the presentations of the presenting groups. The quality of the assessment will impact your participation grade.

NOTE: Your participation in class is important in order to facilitate your learning of course material and for you to be able to contribute adequately to the group assignments. Those students who miss more than 2 classes can expect to receive:

- **less than 60% on all the "In class" components (i.e. 30% of your total grade relates to "in class" components) and**
- **a 10% penalty on Major Assignment 3**

Students will be required to have video turned on and audio functionality throughout the duration of any remote class. This factors into your participation grade.

3. IN CLASS PRESENTATIONS

In most classes, you will be making a presentation related to analysis you complete with your group prior to class. You will be analyzing a number of companies in different industries and geographies in order to provide *breadth* of coverage (you will go into *depth* with your Major Assignment companies). Going over key analytical steps regularly with different companies will help you develop/refine your analytical skills and increase your general knowledge of business. Part of your grade related to "In class presentations" will be related to your **individual** content and delivery during the presentations. Part of your grade will relate to how well your **group's** overall presentation is delivered and presented. All of your presentations throughout the course will be assessed holistically and the assessment will be based on the **quality, breadth and depth of your work, professionalism of your presentations and improvement throughout the course.**

Each group member is advised to **spend a maximum of 60-90 minutes** outside of class to prepare each of these presentations.

Although this may not appear to be enough time at the beginning of the semester, as the semester progresses you should see an improvement in your ability to identify and summarize key information effectively. Part of the learning is to be able to prepare a deliverable that you will be presenting under a time constraint.

Note: You should ensure that you don't prepare and present the same analysis section each class. Each group member should cover a different aspect of analysis at least once. This will impact the individual component of your in class presentation grade.

4. MAJOR ASSIGNMENTS

The Major Assignments provide you with an opportunity to practice key components of the analysis process in a structured, focused way. You will work on your major assignments in your groups using what you learned in class, what you read in the lecture notes/slides and your own experience. I expect depth of analysis given the time provided to complete the assignments.

The companies analyzed in Major Assignments 1 through 3 will be **Advanced Micro Devices, Inc. and NVIDIA Corporation**

5. GROUP ASSIGNMENTS

Students will work in groups of two to four to discuss the course materials outside the class and to prepare all group assignments after the first class. **NOTE: Before the second class, you will have an opportunity to form your own group. For those students who have not e-mailed their group members to the instructor by three days before the second class, the instructor will randomly assign them to a group.**

Do not simply split the assignment among the group members without sharing insights and learnings. You will learn more and get better grades if you work collaboratively and learn from each other's experiences and views. At the same time, you need to be able to develop the ability to delegate tasks effectively amongst each other and consolidate results in an effective way.

Similar to a professional work environment, the outcome is often determined through teamwork and part of the learning in this course is about being able to adapt and capitalize on the collective experience and skills of the group. You are expected to adapt to your group and work together cooperatively as this is a key professional skill. You are expected to contribute fairly to the assignments and add value to the group's overall product. For all group work, there will be an opportunity to recognize significant differences in contributions.

You should first try to resolve any disputes amongst yourselves. If you require support to resolve a dispute, you can set up a meeting with me to have a discussion. It is expected that at this level in your university career, you will be able to work cooperatively and effectively with each other. If you do encounter significant issues, you are expected to escalate to the instructor on a timely basis (e.g. not the week before a major assignment is due).

6. ASSIGNMENT GUIDELINES

When completing assignments please observe the following guidelines:

- Text must be typed.
- Cover page must have your names, student numbers, course identification, course instructor, assignment number and the due date clearly marked.
- Grammar, spelling and quality of presentation will be taken into consideration. These are essential business skills.
- Assignments that have been delayed for medical reasons will not be accepted after the last date for term work.

Marking will be done on the basis of percentages as outlined in the Faculty of Liberal Arts and Professional Studies undergraduate calendar.

7. EXAMINATIONS

No examinations! The due date for the third assignment will be scheduled during the examination period.

8. CAREER TOPICS

There are many transferable skills that you will develop in this course that can be applied to a variety of careers. To aid you in positioning yourselves well for your careers, in addition to core technical topics and skills, we will be discussing various career topics. These will serve as "thought starters" for you as you develop your career plans. The intent is that by refining these aspects, in addition to your analytical toolkit, you will have a well-rounded value proposition to offer your future employers.

ADMS 4535 – Course Schedule

Session	Topic	Group Analysis Due	Group presentation in class <u>and</u> <u>feedback form</u> due?	Other Assignments Due (beginning of class)
1 Sep 5	- Course introduction - Analysis exercise	- Wal-Mart Stores, Inc. (due during class – “DC”)	No	
2 Sep 12	- Strategy, other qualitative considerations, preliminary analytics - Assignment #1 instructions - Group confirmation	- The Walt Disney Company (DC)	No	
3 Sep 19	- Accounting analysis - Discuss sample snapshots - Company comparison exercise and one minute synopsis	- Group pick – Company on Toronto Stock Exchange (due beginning of class – “BOC”)	Yes	Company Snapshot (“CS”) – Company <\$5B market capitalization on TSX
4 Sep 26	- Fundamental analytics – part 1 - Presentation tips - Company comparison exercise and one minute synopsis	- Group pick – Company on New York Stock Exchange (BOC)	Yes	CS - Company <\$5B on TSX
5 Oct 3	- Fundamental analytics - part 2 - Assignment #2 instructions - Company comparison exercise and one minute synopsis	- Group pick – Company on NASDAQ (BOC)	Yes	Major Assignment #1
6 Oct 10	- Other information sources, Comparing firms, Report writing - Company comparison exercise and one minute synopsis	- Group pick – Company on London Stock Exchange (BOC)	Yes	CS – Company <\$5B on NYSE
Oct 17	NO CLASS – READING WEEK			
7 Oct 24	- Introduction to valuation – part 1 - Company comparison exercise and one minute synopsis	- Group pick – Company on Bombay Stock Exchange (BOC)	Yes	CS – Company <\$5B on NYSE
8 Oct 31 (ONLINE)	- Introduction to valuation – part 2 - Hand back Assignment #1 - Company comparison exercise and one minute synopsis	- Group pick – Company on Hong Kong Stock Exchange (BOC)	Yes	CS – Company <\$5B on NASDAQ
9 Nov 7 (ONLINE)	- Modeling and Excel tips - Assignment #3 instructions - Company comparison exercise and one minute synopsis	- Group pick – Company on Tokyo Stock Exchange (BOC)	Yes	Major Assignment #2
10 Nov 14 (ONLINE)	- Synthesis exercise	- Case exercise – Evaluation of a consultant’s proposal (BOC)	Yes	CS - Company <\$5B on NASDAQ
11 Nov 21 (ONLINE)	- Career discussion – general considerations, networking, pitch, resumes, interviews		No	CS – Company <\$2B
12 Nov 28 (ONLINE)	- Review and wrap-up - Career discussion – considerations while at work	- Case exercise – Preliminary analysis of potential acquisition targets (BOC)	Yes	CS – Company <\$2B

	- Hand back Assignment #2			
Dec 5				Major Assignment #3