

**Stern School of Business  
New York University**

**B10.2303.02– Financial Statement Analysis - Fall 2007  
Daniel A. Cohen**

**Tuesday and Thursday, 1:30-2:50PM**

Office: KMEC 10-80  
Office Hours: T, TH 10:30-11:30 and by appointment  
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**Prerequisite: B01.1306: Financial Accounting and Reporting. If you have not taken this class, please see me before or after the first class.**

**Course Objectives and Topics:**

Financial reporting systems serve many purposes. They are used to inform both current and potential investors. The accounting numbers reported in the financial statements are used in contracting between shareholders, managers, creditors and others. Regulators use financial reports to make assessments of competitive conditions and financial strength. At various times, management makes financial reporting and/or transaction design decisions to obtain some objectives with these various user groups. In this course, we will examine and analyze the financial accounting model in order to obtain a better understanding of these decisions and their telltale signs in the financial reports. These skills will enable us to make assessments of the “quality of reported earnings” and to make comparative assessments of performance and risk.

The Financial Statement Analysis Course provides many essential tools and concepts for students contemplating careers in corporate finance, auditing, investment banking, and equity and fixed income research. The material is covered in a rigorous, analytical manner. The course is meant to be difficult, but manageable. Accounting is like a language; students become more fluent with practice. This course assumes a good command of introductory financial accounting topics.

Of course, help is available. Best way to reach me is by e-mail at [dcohen@stern.nyu.edu](mailto:dcohen@stern.nyu.edu). This is never intrusive, so do not hesitate to use it. In addition, appointments to discuss anything related to the course may be made by contacting me.

**Course Materials:**

There is no specific textbook required for this course. I will be providing handouts, notes and all other material. My lectures notes are based on the following textbooks, which are recommended for further reference. There are no required readings from these textbooks and you do not have to purchase them.

*Financial Reporting and Statement Analysis: A Strategic Perspective* (6<sup>th</sup> edition) by Stickney, Brown and Wahlen (Thompson 2007)

*The Analysis and Use of Financial Statements* (3<sup>rd</sup> edition) by White, Sondhi, and Fried (Wiley 2003).

**Course Webpage:**

I will be posting class handouts as well as other material on the course website (Blackboard). **You are encouraged to check the course webpage every few days. The relevant class handout will be posted before class – make sure you download the handout before coming to class.**

**Materials, Problems and Cases:**

As we cover the material in class, I will provide articles and examples from the popular press related to our discussions. Materials used in this class, including, but not limited to handouts, exercises, cases, discussion questions, charts and graphs are copyrighted and may not be used for purposes other than the educational experience of this class without the written consent of the instructor.

**Academic Integrity:**

Students are expected to adhere to, and will be bound by, the University and School policies governing academic integrity. Compliance with the Honor Code is assumed at all times and under all circumstances. Although I cannot cover all the details of the application of the Honor Code to this course, I will mention a few areas and others are straightforward extrapolations.

**Honor Code and Course Etiquette:**

To ensure that there are not any misunderstandings, I have defined in this course syllabus the manner in which the course requirements are to be completed. The discussion in this syllabus, while intended to be as comprehensive as possible, may not cover all the expectations and requirements. If you believe something is unclear or has been omitted, please speak to me.

I have identified some of the key things I think you should expect from me, and some of the key things I expect from you.

You can expect that I will (1) arrive on time for class, (2) be prepared and organized for every class, (3) listen attentively, actively, and respectfully to whomever is speaking in class, (4) maintain equity in all course policies, (5) meet with you outside of class on an individual or group basis at a mutually agreeable time, and (6) respond to your suggestions to make this class more challenging, stimulating, and enjoyable.

I expect that you will (1) arrive on time for class, (2) complete the course assignments and be prepared for every class, (3) listen attentively, actively, and respectfully to whomever is speaking in class, (4) thoughtfully participate in class discussion, (5) refrain from activities that can distract other students such as chatting, checking email or browsing the internet during the lecture, and (6) suggest ways in which I can make this class more challenging, stimulating, and enjoyable.

If you are unable to attend a class, I expect you to notify me in advance, by e-mail.

**Course Grading:**

Your course grade will be determined as follows:

**Midterm: 30%**

**Final Exam: 50 %**

The exams are open-book/notes.

**Class participation, Cases and Assignments: 20%**

## Course Outline

Week of

|         | <u><b>Tuesday</b></u>                                                             | <u><b>Thursday</b></u>                       |
|---------|-----------------------------------------------------------------------------------|----------------------------------------------|
| Sept 4  | Course Introduction and Overview                                                  | Income Statement Analysis                    |
| Sept 11 | Accrual Accounting, Revenue and Income Recognition                                | <b>No Class (9/13)</b>                       |
| Sept 18 | Cash Flow Analysis                                                                | Cash Flow Analysis                           |
| Sept 25 | Ratio Analysis<br><b>Case no. 1 due</b>                                           | Ratio Analysis                               |
| Oct 2   | Inventories                                                                       | Inventories                                  |
| Oct 9   | Long Lived Assets and Depreciation,<br>Intangible Assets<br><b>Case no. 2 due</b> | Long term Liabilities                        |
| Oct 16  | <b>Midterm Exam<br/>(In class)</b>                                                | Off-balance sheet<br>Financing – Leases      |
| Oct 23  | Leases, Securitization,<br>Receivables Sales                                      | Guest Speaker                                |
| Oct 30  | Income Tax reporting                                                              | Income Tax reporting                         |
| Nov 6   | Income Tax reporting<br><b>Case no. 3 due</b>                                     | Pensions                                     |
| Nov 13  | Pensions                                                                          | Pensions & other<br>Post Retirement Benefits |
| Nov 20  | <b>No Classes (Thanksgiving)</b>                                                  |                                              |
| Nov 27  | Pensions and other Post<br>Retirement Benefits<br><b>Case no. 4 due</b>           | Executive Compensation                       |
| Dec 3   | Owners Equity                                                                     | Investments in other<br>Entities             |
| Dec 11  | Final Review                                                                      |                                              |

**Final Exam: TBA**