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| **Course Outline**  **Department of Accounting, Finance, and Law**  **Bob Gaglardi School of Business and Economics** |

**FNCE 3140-01 (3,0,0)**

**Financial Statement Analysis**

**Fall, 2025**

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| Instructor: | Phone: |
| Office: | E-mail: |
| Office Hours: | |

**Calendar Description**

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| Students learn how to read the financial statements of a major corporation and examine its performance using traditional and cash flow-based financial ratios and other assessment tools. Emphasis is placed on identifying and addressing financial-reporting quality issues. Topics include an introduction to financial reporting, financial statement analysis techniques, financial reporting quality, and advanced profitability, liquidity, long-term debt-paying ability, long-term assets, and multinational operations analysis. |

**Educational Objectives/Outcomes**

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| Upon completion of this course, students will be able to:   1. Identify the sources of financial information used to assess a corporation’s performance. 2. Interpret the information provided annually by corporations, including the management discussion and analysis, financial statements, notes to the financial statements, annual information form, and management information circular. 3. Critique the quality of a company’s financial statements. 4. Assess the performance of a corporation from a liquidity, asset management, long-term debt-paying ability, and profitability perspective. |

**Prerequisites**

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| FNCE 2120 or equivalent with a minimum C+  Note: Students may not receive credit for more than one of FNCE 3140 or BBUS 3140. |

**Co-requisites**

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| None |

**Texts/Materials**

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| Readings  Introduction to Financial Reporting  Permanent Debt and Equity Financing  Financial Statement Analysis  Financial Reporting Quality  Advanced Profitability Analysis  Advanced Liquidity Analysis  Advanced Long-term Debt Paying Ability Analysis  Advanced Long-term Asset Analysis  Multinational Operations Analysis |

**Student Evaluation**

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| The evaluation will consist of:   |  |  | | --- | --- | | Quizzes (8) | 15% | | Mid-term exam | 10% | | Case study | 15% | | Company report | 20% | | Final exam | 40% |   Quizzes  Quizzes help ensure students are thoroughly familiar with the reading for each module.  They are 20 minutes and contain 30 randomly selected true/false or multiple-choice questions.  Quizzes only cover the readings and NOT the Learning Problems tested on the Mid-term and Final Exams.  Students should thoroughly study the readings to prepare for the quiz.  Each quiz is delivered online through Moodle.  Links to the quizzes are in the Quizzes section of the course Moodle site.  Students can open a quiz anytime between 6:00 AM and midnight on the Fridays designated in the course outline, and the quiz will close automatically after 20 minutes.  Once a question is answered, students cannot change their responses. Quizzes are "closed book," meaning course materials and other information cannot be referenced during the quiz.  Students must not receive assistance from classmates or others while taking the quiz. If a student misses a quiz, they receive a grade of zero and will not be able to retake it.  Mid-term Exam  The Mid-term Exam will be 75 minutes in length and held during class. The exam consists of qualitative and numerical problems similar to the learning problems at the end of each module. There are no theory questions as that is tested in the Quizzes. A formula sheet is provided that is included in the exam.  Any student who misses the mid-term exam without the instructor’s prior permission will receive a grade of zero. Illness and family emergencies are generally the only acceptable reasons for missing the Mid-term Exam. A substitute test will be administered in these cases. A scientific or financial calculator may be used during the tests. Translators or other electronic devices, such as cell phones, are not permitted.  Case Study  The Case Study will be completed in self-selected groups of two students. A grade of zero is given for all case studies submitted late unless permission is received in advance from the instructor. Each group member is expected to contribute equally to the preparation of the joint submission.  A group member who feels their partner is not making an equal contribution should discuss it with them first.  If the problem is not rectified, they should contact the instructor, who will take appropriate action, including assigning that person a grade of zero for the case.  Company Report  Students will prepare a company report for NFI Group, which is North America’s leading bus manufacturer. Self-selected teams of two students will prepare reports using the company’s interim and annual reports and other filings on its website or through SEDAR. Reports will be ten pages in length, including any relevant exhibits, and should be divided into the following sections:  Business description  Business strategy  SWOT analysis  Profitability  Liquidity and short-term asset management  Long-term debt-paying ability  Long-term asset management  Market valuation  Summary and Future Actions  The report will be submitted in three instalments:  Installment 1: Business description, business strategy, SWOT (5%)  Installment 2: Profitability, liquidity, and long-term debt-paying ability (5%)  Installment 3: Final report (15%)  Financial ratios should be calculated for the last five annual financial periods. The interim financial reports since the previous annual report should be included in the analysis.  Final Exam  A three-hour comprehensive Final Exam is scheduled during the regular exam period.  The exam consists of qualitative and numerical problems similar to the Learning Problems at the end of each module. A scientific or financial calculator may be used during the exam. Translators or other electronic devices, such as cell phones, are not permitted. Students must pass the final exam to receive a passing grade for the course. Ten percent of the total weightings for the course will be moved from the mid-term exam to the final exam if it increases a student’s final grade.  Bonus Assignment  A Bonus Assignment will be given on multinational operations and completed individually. Students will receive a bonus of 0.0%, 1.0%, 2.0%, or 3.0% on their final grade depending on the quality of their submission. |

**Course Topics**

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| 1. Introduction to Financial Reporting  * Efforts to improve financial reporting * International Financial Accounting Standards * International Standards on Auditing * Canadian Securities Administrators * NI 51-102 Continuous Disclosure Obligations * NI 51-108 Auditor Oversight * NI 52-109 Certification of Disclosures in Issuer’s Annual and Interim Filings * NI 52-110 Audit Committees * NI 52-111 Reporting on Internal Control over Financial Reporting * Annual report and interim financial reporting * Other required financial disclosures * Management, discussion, and analysis * Annual information form * Management information circular * Others * Audit process and the Canadian Public Accountability Board * Limitations of financial reporting * Varying accounting policies and estimates * Inaccurate valuation of assets, liabilities, and equities * Misclassification of financial assets and liabilities * Poor earnings quality      1. Financial Statement Analysis Techniques    * Ratio analysis      + - Liquidity        - Asset management        - Long-term debt-paying ability  * Leverage * Coverage   + - * Profitability   + In relation to sales   + In relation to investment   + Raising the return on equity using financial leverage   + Analysis of return on equity   + Segmented reporting and entity-wide disclosures   + Market valuation   + Vertical analysis with common-sized financial statements   + Horizontal analysis with common-sized financial statements   + Cash flow analysis   + Cash flow statement analysis   + Cash flow-based financial ratios   + Industry average ratios and limitations  1. Financial Reporting Quality    * Earnings quality dilemma    * Earnings quality    * Revenue recognition strategies    * Cost recognition strategies    * Classification strategies    * Warning signs of earnings management    * Quantitative earnings management models – Beneish Model    * Cash flow quality    * Cash-to-income ratio    * Manipulating CFO    * Balance sheet quality 2. Advanced Profitability Analysis    * Consolidated income statement    * Consolidated statement of comprehensive income    * Discontinued operations    * Revenue recognition    * Earnings per share    * Basic earnings per share    * Diluted earnings per share    * Interim financial reporting 3. Advanced Liquidity Analysis  * Consolidated balance sheet * Consolidated statement of changes in equity * Cash, cash equivalents, and short-term investments * Receivables * Trade receivables * Expected credit losses * Long-term notes receivable * Inventories * Lower of cost or net realizable value * Specific identification, FIFO, and average cost * LIFO liquidations and reserves * Provisions * Contingent assets and liabilities * Related party transactions * Other accounting transactions * Changes in accounting policy * Changes in accounting estimates * Accounting errors * Estimation uncertainty * Events after the reporting period * Liquidity analysis checklist  1. Advanced Long-term Debt Paying Ability Analysis  * Income taxes * Permanent and temporary differences * Current and deferred income taxes * Loss carrybacks and carryforwards * Reassessment of deferred income tax assets * Leases * Rationale for leasing * Recognizing a lease * Lease capitalization and financial disclosures * Post-employment benefit obligations * Defined contribution plans * Defined benefit plan terminology * Defined benefit plan disclosures * Financial liabilities and disclosures * Commercial lending * Risk management * Liquidity risk * Market risk * Derivative and hedge accounting * Fair value hedge * Cash flow hedge * Compound financial instruments * Financial guarantees * Classification of financial instruments as liabilities or equities * Share-based compensation * Executive compensation * Stock options * Stock appreciation rights * Restrictive share units * Performance share units * Deferred share units * Director compensation * Long-term debt-paying ability analysis checklist  1. Advanced Long-term Asset Analysis  * Long-term investments * Finance assets * Amortized cost * Fair value through profit or loss * Fair value through other comprehensive income * Associate and joint arrangements using the equity method * Control using consolidations * Goodwill * Investment properties * Goodwill * Property, plant, and equipment * Recognition, measurement, and amortization * Cost and revaluation models * Borrowing costs * Decommissioning and restoration costs * Intangible assets * Recognition, measurement, and amortization * Research and development costs * Exploring and evaluating mineral resource costs * Long-term asset analysis checklist  1. Multinational Operations Analysis  * Foreign currency transactions and currency gains and losses * Translation of foreign currency financial statements   + Determination of the functional currency   + Translation methods mechanics     - Current rate method     - Temporal method   + Monetary and non-monetary assets and balance sheet exposures   + Effect of the translation method on financial ratios |

**Course Schedule**

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| **Week** | **Module** | **Evaluation** |
| August 31 – September 6  **Monday is a statutory holiday.**  **Tuesday is Orientation Day.** | Introduction to Financial Reporting  Permanent Debt and Equity Financing | None |
| September 7 – September 13 | Financial Statement Analysis | Quiz 1 – Intro to Financial Reporting  Friday, September 12 |
| September 14 – September 20 | Financial Statement Analysis | Quiz 2 – Permanent Debt and Equity Financing  Friday, September 19 |
| September 21 – September 27 | Financial Statement Analysis  Financial Reporting Quality | Quiz 3 – Financial Statement Analysis  Friday, September 26 |
| September 28 – October 4  **Tuesday is a statutory holiday.** | Financial Reporting Quality | Quiz 4 – Financial Reporting Quality  Friday, October 3 |
| October 5 – October 11 | Advanced Profitability Analysis | Case Due  Saturday, October 11 |
| October 12 – October 18  **Monday is a statutory holiday.** | Advanced Profitability Analysis | Midterm  Wednesday, October 15 |
| October 19 – October 25 | Advanced Profitability Analysis  Advanced Liquidity Analysis | Quiz 5 – Advanced Profitability Analysis  Friday, October 24 |
| October 26 – November 1 | Advanced Liquidity Analysis | Company Report – Instalment 1  Saturday, November 1 |
| November 2 – November 8  **Friday is mid-term break.** | Advanced LT Paying Ability Analysis | Quiz 6 – Advanced Liquidity Analysis  Friday, November 7 |
| November 9 – November 15  **Monday is mid-term break.** | Advanced LT Debt Paying Ability Analysis | Company Report – Instalment 2  Saturday, November 15 |
| November 16 – November 22 | Advanced LT Debt Paying Ability Analysis | None |
| November 23 – November 29 | Advanced Long-term Assets Analysis | Quiz 7 – Advanced LT Debt Paying Ability Analysis  Friday, November 28 |
| November 30 – December 6 | Advanced Long-term Assets Analysis | Quiz 8 – Advanced Long-term Assets Analysis  Friday, December 5  Company Report – Instalment 3  Friday, December 5 |

**Honour Code**

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| SOBE’s honour code states:  As a student of the Bob Gaglardi School of Business and Economics at Thompson Rivers University, I promise to act honestly, ethically and with integrity. I accept responsibility for my actions. I will not cheat, plagiarize, or condone such behaviour in others. |

**Academic Integrity**

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| TRU Policy ED 5-0 Academic Integrity outlines the different types of infractions and the enforcement mechanisms used by the university. All students are encouraged to familiarize themselves with this policy to avoid violations. |

**Grading**

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| TRU Policy ED 3-5 Grading Systems describes the grading system to be followed in all courses at TRU to help ensure the comparability of grades across campus. Letter grades do not become official until they are approved by the Chairperson responsible for the course, and they subsequently appear on the student’s transcript. The letter grade system for undergraduate classes:   |  |  |  |  | | --- | --- | --- | --- | | **Letter Grade** | **Numerical Grade** | **Grade Points** | **Letter Grade Definitions** | | A+  A  A- | 90-100  85-89  80-84 | 4.33  4.00  3.67 | Excellent. Superior performance showing a comprehensive, in-depth understanding of the subject matter. Demonstrates initiative and fluency of expression. | | B+  B  B- | 77-79  73-76  70-72 | 3.33  3.00  2.67 | Very Good. Clearly above average performance with knowledge of principles and facts, generally complete with no serious deficiencies. | | C+  C | 65-69  60-64 | 2.33  2.00 | Satisfactory. Basic understanding with knowledge of principles and facts, at least adequate to communicate intelligently in the discipline. | | C- | 55-59 | 1.67 | Pass. Some understanding of principles and facts, but with definite deficiencies. | | D | 50-54 | 1.00 | Minimal Pass. A passing grade indicates marginal performance. The student is not likely to succeed in subsequent courses in the subject. | | F | 0-49 | 0.00 | Unsatisfactory. Fail. Knowledge of principles and facts is fragmentary. | | DNC |  | 0.00 | Did not complete the course, less than 50% of the course work completed, or mandatory course component(s) not completed. No official withdrawal. | |

**Attendance**

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| TRU Policy ED 3-5 Student Attendance states that students may be:   * Removed from a course if they miss the first two classes without prior arrangements that are acceptable to the instructor. * Refused admission to a course by the instructor for lateness, class misconduct, or failure to complete required work. * Removed from a course by the instructor for deficient attendance without cause, with the permission of the instructor’s Chairperson or Dean.   This semester, your instructor will enforce the following rules:   * Cell phones should be turned off and stored away during class unless authorized. * Students are required to attend regularly.  Attendance will be taken, and those who miss more than five classes during the semester will receive a Did Not Complete (“DNC”). * Students must arrive at class on time.  If they are late, the instructor may allow the student to enter the classroom or deny admission.  In either situation, the student will be marked absent.   The absences permitted are for any reason, including work or medical.  Students who inform their instructors of their absence before the start of class will still be marked absent.  Students should set a goal of zero absences and use the absences allowed for emergencies only.  Exceptions are only made for students experiencing serious medical or family issues. |