

Accounting 516

Ram T S Ramakrishnan



Financial Statement Analysis

2012
Fall



Course

description



Schedule



Readings



Notes



Current Developments
Midterm Exam
Final Exam

Cases

Case submission
guidelines



TAKEDA CHEMICAL INDUSTRIES, LTD.

Assignment



Assignment



Assignment



Assignment;

Project Book Solutions



Links Yahoo 120830

WRDS Instructions

Review for financial accounting prerequisites Financial Literacy
Cartoons <http://blackboard.uic.edu/> Annual Reports

Accounting & Disclosure after Enron

<http://www.uic.edu/classes/actg/actg516tr/>

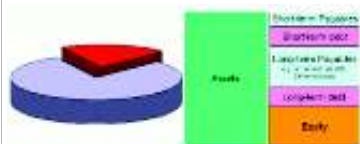


Department
of Accounting

COLLEGE OF BUSINESS ADMINISTRATION

Accounting 516

Ram T S Ramakrishnan



Financial Statement Analysis

2012
Fall

Instructor: Ram T. S. Ramakrishnan

Office hours: Thursdays 1:00-4:00

2300, University Hall; rramakri@uic.edu (312) - 996 - 3270; [Directions](#)

Course page: <http://www.uic.edu/classes/actg/actg516tr>



Course description

Required Materials:

The Analysis and Use of Financial Statements, Third Edition Publisher: Wiley;

Gerald I. White, Ashwinpaul C. Sondhi, Dov Fried, ISBN 0-471-37594-2;

<http://www.amazon.com/The-Analysis-Use-Financial-Statements/dp/0471375942>

Please bring the textbook and a copy of [Pfizer financials](#) (pages 39 to 62) to the class every day.

Wharton Service: <http://wrds-web.wharton.upenn.edu/wrds/> [a516su; _____]

The recent corporate accountability crises has focused the world's attention on what accounting reports can do and what it can not do. Accounting failures at AIG, Enron, WorldCom and numerous other firms has led to extensive reforms in the US. The Sarbanes-Oxley (2002) act includes many accounting and disclosure reforms. But these actions could not prevent the options backdating scandals of 2006-07 or fair value crisis relating the lending crisis of 2008. Throughout these crises what was surprising was the lack of understanding of GAAP and financial statements by many Board of Directors and Wall Street Analysts. Through this course you will gain a better understanding of some of the issues relating to analyzing financial statements. If one thinks of financial reporting as a game - the executives will try to put the firm in the best light under what GAAP allows, how could you as an analyst disentangle the information.



This course will emphasize the use of published financial reports by decision makers external to the firm (e.g. investors and creditors). Within each decision context, models of valuation and the current state of understanding of empirical research in accounting and finance will be analyzed. Accounting is the "language of business" and with the knowledge gained from this course, you will be able to read, interpret and critically evaluate the published financial disclosures that firms make. You will gain insights into the intense controversies surrounding the promulgation of disclosure standards and you will better understand how you may influence and be influenced by this essentially political process. If you are interested in careers in investment banking, equity research, private equity, risk analysis and in pursuing the CFA designation, this course is a must. 516Actg.

The second major theme of the course is how capital markets react to accounting disclosures. What is (and will be) the value impact of earnings, book value and other accounting information? We will consider the traditional models and also newer insights into the pricing of securities using free cash flows and economic value added. If somebody showed the statements of a firm to you, you should be able to see the "inside" story, ask the right questions and value the firm. The dominant approach in this course will be fundamental analysis. Finally we will survey the empirical results from the capital markets research. Bankruptcy and risk prediction models and bond rating models that use accounting numbers will be evaluated. We will look at studies that try to explain variations in the P/E ratios and price to book ratios and earnings response coefficients. Studies that document market anomalies based on accounting numbers will be discussed last.

The standard prerequisites for this course are two courses in financial accounting (for example Accounting 500 and 502). If you have taken only Accounting 500, you may still take this course, if you are willing to put in some extra effort. Please fill the [Prerequisite exemption form](#):

<http://accounting.cba.uic.edu/Courses/Prerequisite-Exemption-Form.htm> and bring it to the class to get my approval. The course uses real financial statements extensively and you should be familiar with annual reports. As a part of the course you will be analyzing and valuing one company (a company of your choice) thoroughly. For this, you may have to download 10-Ks and other SEC filings from 'Disclosure' etc.. [First class 120830](#)

Course Requirements

In Groups: Cases 12%; Current Developments 6%; Project 7%

Individual: Midterm Examination: 25%; Final Examination: 35%; Quiz: 15%



Deadlines

Sess	Date	Assignment	Name
1	30-Aug		
2	6-Sep	Current Developments 1	SEC Charges Ernst & Young At Bally
3	13-Sep	Quiz 1	Cash Flow
4	20-Sep	Quiz 2	Financial Statements and ratios
5	27-Sep	Case 1	Integrated Analysis • Pfizer • Roche • Takeda
6	4-Oct	Quiz 3	Inventories
7	11-Oct	Case 2	Nucor
8	18-Oct	Current Developments 2	Worldcom
9	25-Oct	Exam	Midterm
10	1-Nov		
11	8-Nov	Case 3	Texaco
12	15-Nov	Quiz 4	Investments
13	22-Nov	Case 4	Coca Cola
14	29-Nov	Current Developments 3	Lehman
15	6-Dec	Quiz 5	Debt and Equity Markets
Exam	13-Dec	Exam	Final

1 Introduction 120830 3

Reading: Chapter 1, Notes , First Day Assignments: Groupon Questions | Groupon/10-K Ending 123111



2 Financial statements: The raw data of analysis; Accrual concept of income; Analysis of cash flow information.

Reading: | Chapters 2 and 3 | Ignore: Nonrecurring items (p. 52-61);

Notes | Bad Debts and CFO

| 03-Lucent-1999-10K-Valuation (1 page) | Lucent-1999 Financials | Lucent-1999 | 10-K | Lucent-2000 Financials | Ford 2003 | Ford 2004 | Kraft & Cadbury | Apple and iPhones

Class discussion: | 3-4 | 3-10; Homework: | 3-09 | 3-12 | 03-01,02,03,05

Cash Flow Readings - [More]

An-interview-with-Microsoft's-CFO-McKinsey-Quarterly

Cash Flow: a Better Way to Know Your Bank

Cash-Flow Hocus-Pocus

Cash Flow Reigns Once Again

Corporate-Cash-Umbrellas-Too-Big-for-This-Storm

Credit Woes Hit in Unlikely Places

Firms-Ponder-What-Constitutes-Cash

GM-Expects-to-Continue-Burning-Cash-[Q]

Hertz-tries-too-hard-to-buff-up-its-statements

How Some Companies Abuse Cash Flow

In India, Clues Unfold to a Fraud's Framework

Is-Target-Corp.'s-Credit-Too-Generous

Looking-for-Cable's-Moment-in-the-Sun
Many U.S. companies sitting tight on plump cash cushions
Options Rule Could Hit Cash Flows (CFO to CFF)
Out of Balance
Retailers-continue-defensive-inventory-strategy
Steve Jobs' Bonus - Feb 20 00
Stock Options Pad Cash Flow Of Soaring Technology Issues WSJ Jul 17 2000
Stocks-End-Flat,-Microsoft-Lifts-Techs
Too-Much-Cash
US-Companies-Can-Seize-Roughly-\$600-Billion-From-'Working-Capital
Voluntary-Disclosure-of-Free-Cash
Where Accounting Meets Language

Georgia-Tech-Crew's-Report-Spurs-Change-in-Accounting-For-Operating-Cash-Flow-Mar-05
Outside-Audit-Cash-Flow-Never-Lies-Or-Does-It

Altria Ready to Consider Next Breakup [Q]
[Cigarette-lawsuits-light-up-Kraft-spin-off-talk](#)

SEC, Ernst & Young and Bally Total Fitness

Current Developments

3 Foundations of Ratio and Financial Analysis; Common size statements; Categories of ratios; Integrated ratio analysis. Earnings per share; Alternate capital structures.

Reading: Chapter 4 | [Notes](#) | [Financial Assets](#) | [Financial Analysis of Pfizer](#) | [Dell 04 10K](#) (Look at Cash Cycle in page 22)

Class discussion: | [04-07 & 08](#) | [04-20 & 21](#); Homework: [4-Rest](#)

Ratios Readings

Big-Firms-Are-Quick-to-Collect,-Slow-to-Pay
Dell-Managing-Working-Capital
Dell to Rely Less on Direct Sales
How H-P Reclaimed Its PC Lead Over Dell

FASB-Financial Statement Presentation
FASB-Discussion,Financial Statement Presentation

4 Analysis of inventories: Impact of change in prices; Alternative methods of computing cost; Adjustments from LIFO to FIFO; Financial ratio effect; Reporting and measurement issues; Empirical perspectives; Market reactions to method changes; Is a change to LIFO good news or bad news?

Reading: Chapter 6 | [Notes](#) | [IRS Rules](#) | [IRS Court cases](#) | [Form 970](#)

Class discussion: [06-08 & 09](#); Homework: | [06-01 to 04](#) | [06-rest](#)

Inventory Readings

<http://www.lifopro.com/index.html>
Big Oil's Accounting Methods Fuel Criticism
IFRS LIFO suction
Is It Time to Liquidate LIFO
KPMG-IFRS-Is-Coming,-What-Does-This-Mean-for-Tax
LIFO and IFRS How Closely Linked
Must-LIFO-Go-to-Make-Way-for-IFRS
Potential-Consequences-of-the-Elimination-of-LIFO-as-a-Part-of-IFRS-Convergence-Georgia-Tech
Republicans-Drop-a-Tax-Plan-After-Businesses-Protest-New-York-Times.htm
The Battle to Preserve LIFO - CFO.com
Will Congress Sink LIFO? - CFO.com
Rep Davis Questions Treasury Secretary Geithner on Proposed LIFO Repeal

Section 472, LIFO conformity and IFRS
<http://www.irs.gov/pub/irs-lafa/114702f.pdf>
http://www.law.cornell.edu/uscode/html/uscode26/usc_sec_26_00000472----000-.html

http://www3.cfo.com/article/2011/12/tax_lifoifrsqaapfootnotes-

http://www.youtube.com/watch?v=ZAg2Pab7-tY&feature=youtube_gdata
<http://capwiz.com/aedaction/issues/alert/?alertid=13227461>
http://www.financialexecutives.org/eweb/startpage.aspx?site=_fei

5 Capitalization versus Expensing: Acquiring the asset: The capitalization decision; Capitalization of interest costs; Intangible assets Analysis of Long Lived Assets

Reading: | Chapter 7 | Ignore Asset Revaluation and Regulated Utilities p. 240-242
| Chapter 8 | Ignore Impairment of Long Lived assets and Impairment p. 275-282
| [Long lived assets notes](#) | [Long lived assets example](#) | [Estimation notes 1](#) | [Estimation notes 2](#)

Class discussion: 07-09 (Pfizer) | 8-14; Homework: | [07-01, 07, 12](#) | [07-rest](#) | [8-5 to 10](#)

DUE 1 Integrated Analysis | [Pfizer](#) | [Roche](#) | [Takeda](#)

Case

6 Income taxes

Deferred taxed; effective tax rate; analysis of tax footnote disclosures; permanent and temporary tax differences.

Reading: | Chapter 9 | [Income tax notes](#)

Class discussion: [Tax disclosures of Pfizer](#) | Tax related disclosures in [GE statements](#) | Look for deferred tax assets and tax related disclosures in [Amazon statements](#) | [Amazon Taxes](#)

Homework: [9-6, 7, 10, 12, 14](#)

Taxes Readings • Cartoons • More Readings

[Amazon-4Q-2004- Look at the news item and tax disclosures \(page 16\)](#) • [Amazon-4Q-2005](#)

[Amazon's Earnings Tumble 43% Revenue Misses Estimates Feb 2006](#)

[Amazon Squeezed by Online Rivals, Feb 05](#)

[Corporate-Income-Taxes-In-The-Bush-Era Institute on Taxation and Economic Policy](#)

[Corporate-Tax-Game-March-2003](#)

[GAO - Challenges Remain in Combating Abusive Tax Shelters](#)

[GAO - Comparison of the Reported Tax Liabilities](#)

[GE Report Raises Doubts](#)

[GM Will Book \\$39 Billion Charge \[Q\]](#)

[How Lehman Sold Plan To Sidestep Tax Man 709](#)

[KPMG Used Its Own Tax Shelter](#)

[KPMG-Fraud-Survey](#)

[KPMG's Knight in Shining Armor](#)

[Levin Introduces Bill to End Double Standard in Corporate Tax](#)

[Lifting the Veil on Tax Risk \[Q\]](#)

[Minding the Gap \[Q\]](#)

[PWC-Guide to Accounting for Income Taxes - 2009 Edition](#)

[Rite Aid Struggles with Tax Break Prescription](#)

[Tax Breaks for Executives Who Earn Now, Pay Later](#)

[Tax Shelters: Exotic or Just Plain Illegal?](#)

[Taxes round the world, Fortune 2003](#)

[Tech Titans' Tax Picture Is Clouded by Options](#)

[The-Corporate-Tax-Game,-March-2003](#)

[The Lure of Sirius: Tax Losses](#)

[The Tax Hit You May Not See](#)

[Why Citi Struggles to Tally Losses \[Q\]](#)

[Inside Wal-Mart's Bid To Slash State Taxes](#)

[Wal-Mart Cuts Taxes By Paying Rent to Itself](#)

[Why Wal-Mart Set Up Shop in Italy](#)

7 Analysis of financing liabilities: Long term debt; debt with equity features; effects of changes in interest rate; retirement of debt; Bond covenants; accounting based constraints; Leases and incentives, financial

reporting for leases; Off-balance sheet activities.

Reading: Chapter 10, Chapter 11 (Ignore: Appendix 11) Notes

Class discussion: 10-23

Off-balance-sheet activities and Lease Notes | Denominator Year Notes

| Look at lease disclosures in: Sears 1999 | J C Penney 1999 | 11-19 to 22 Sears

Off balance Sheet Readings

Citi's \$41 Billion Issue - Should It Put CDOs On the Balance Sheet[Q]

Deloitte-Boards Consider Feedback on Leases ED

Disney-Take-Losses-in-France-March 26, 2004

Enron Aside, Special Purpose Vehicles (SPVs) Are Legal, Innovative and Widely Used

<http://www.pbs.org/wgbh/pages/frontline/shows/tax/>

Equipment Leasing Association

[ELA Weighs in on PBS Television Show](#)

ELA Lease Accounting Separating Myth from Reality White Paper

ELA Lease Accounting Separating Myth From Reality Response

FASB-Leases (Topic 840).pdf

FIN 46 Adds Billions to Bank Balance Sheet

Fin-46-FASB • Fin-46-Deloitte • Fin-46-PWC

General Motors Revved Up Its Accounting

How Big Tax Shelter With Cities.

How Leases Play A Shadowy Role In Accounting ct

[IFRS - Lease accounting rules](#)

Lease Accounting - Falling Rents Will Boost EBITDA

Leasing Lattes: To Drink or Not to Drink

Lehman-Examiner-s-Report-Vol-3

PWC-future of leasing

PWC-The future of leasing Research of impact on companies ratios

Risks Sparking Bailout Were Still in Shadows By Post-Enron Rules 710

SEC Seeks Enhanced Disclosure Of Pension and Lease Obligations June 2005

Surprise - New Consolidation Rule May Affect Private Equity

Will FASB Ever Issue Good Lease Accounting Principles?

With New, United Voice, Auditors Stand Ground On How to Treat Crunch 710

You May Be Liable For That Lease

Homework: 10-03 & 04; 10-rest; 11-17; 11-Rest

DUE 2 Inventory Analysis of Nucor | Nucor 10-K

Case

8 Off Balance Sheet Financing Techniques

Class discussion: Review

Watch: [Tax me if you can on Frontline](#)

Responses form the leasing industry: [ELA Online](#)

DUE 2 Worldcom

Current Developments

9 Mid-term Examination: Open Book and Notes

10 Intercorporate Investments Investment in securities; Analysis of marketable securities; Equity method of accounting; Consolidations and comparison

Reading: Chapter 13; [Notes](#)

Class discussion: [Marketable Securities Example Part 1](#) | [Part 2](#) | 13-13 ExxonMobil: 10K, [Fill-in](#), [Analysis](#)
| [13-16 Coke segments](#) | [13 Rest](#)

11 Business Combinations and Subsidiaries Off-balance sheet activities and avoiding non-consolidation

What happened at Enron? [Notes](#)

Reading: Chapter 14; [Notes](#)

[The Overleveraged Disneyland: Will Disney Take Losses in France?](#)

12 Accounting Based Measures of Risk

Prediction of Bankruptcy; the Prediction of Debt Risk and Equity Risk; Debt ratings and covenants; Cost of debt prediction using accounting variables

Reading: Chapter 18, [Notes](#) | [S&P Corporate criteria](#) (115 pages - not everything!) | [S&P ratings](#) (7 pages) | [S&P Rating methodology](#) (35 pages) | [Altman Paper: Revisiting the Z-score and Zeta models](#) | [18 Appendix](#)

Class discussion: [18-1 to 3](#), [18-4 Coke](#); Homework: [18 -05 to 07](#) ([Westvaco financial statements](#)); [18-08 to 10](#)

Debt Analysis and Bond ratings Readings

Altman et al: Zeta Analysis A New Model To Identify Bankruptcy Risk Of Corporations

Altman-Slides-Credit Scoring Models

Rates and Ratings

4 AAA-Rated Companies With Attractive Yields - Seeking Alpha

Bond Boom's Thin Ice

Bonds Suffer Subprime Hit Credit-card-quiz

CreditStats Final Adjusted Key U.S. Industrial Financial Ratios

CreditStats Adjusted Key U.S. Industrial Financial Ratios 200 to 2002

CreditStats: Operating Lease Analytical Model

Ford-Navigates-Path-to-Profitability

Hunting the Nearly Extinct AAA

Junk Turns Golden, But May Be Laced With Tinsel

Municipal-Bond-Fans-Get-a-Rude-Awakening-Feb-205

Now GM Has Woes on Audits

Ratings Can Spark Triple Trouble

Ratings Cuts By S&P, Moody's

Triple-A Ratings Grade on a Curve

Raters and standards

Big Bond Rally Isn't in Bonds

Commentary: Conflicts and the Credit Crunch by Arthur Leavitt

Congress-Takes-On-Credit-Ratings

Moody's Faces the Storm

Moody's, S&P Still Hold Advantage

Ohio-Sues-Credit-Rating-Agencies-for-Pension-Fund-Losses

Rating agencies lose free-speech claim

SEC Aims to Rein In The Role of Ratings

SEC-Select-Credit-Rating-Agencies.pdf

SEC-Role and Function of Credit Rating Agencies

Triple-A Failure

S&P: • Corporate Ratings criteria (114pgs) • Rating methodology (35 pgs) • S&P Ratings and Ratios (7 pgs)

S&P-2008 Corporate Criteria Analytical Methodology

S&P-Credit Spreads Composite Overview and Methodology

Moody's: • Moody's rating process • Public Firm Risk Model

Links

DefaultRisk.com • Frontline Special <http://www.pbs.org/wgbh/pages/frontline/shows/credit/>

Federal Reserve Board - Interest rates

Bond Ratings and Prices: <http://cxa.marketwatch.com/finra/BondCenter/Default.aspx>

Capital Structure

At Levi Strauss, Dockers Are In [Q]

[Big Buybacks Begin to Haunt Firms \[Q\]](#)
[Boom in Buybacks Helps Lift Stocks To Record Heights](#)
[Buybacks Lag, Squeeze Looms For Earnings](#)
[Corporate-Bond Investors Feel Heat](#)
[Debt and the Corporate Tax Base](#)
[Debt exposure in 757's wake-November 22, 2004](#)
[Debt-Driven Deals Shake Up Holders of Highly Rated Bonds \[Q\]](#)
[Debt-McKinsey](#)
[Dividends, Buybacks Set New Benchmark for Largess As Corporate Coffers Swell, Holders Reap the Rewards;](#)
[Firms-Move-to-Scoop-Up-Own-Debt](#)
[For Some, Minority Interests Will Be a Major Boost](#)
[Home Depot Details Buyback \[Q\] 709](#)
[IBM to Spend \\$15 Billion In Expanded Stock Buyback \[Q\]](#)
[In Emerging Markets, Fewer Debt Covenants \[Q\]](#)
[Investor Group Seeks Bond Protections \[Q\]](#)
[Losing Money by Buying Stock Back](#)
[Making-capital-structure-support](#)
[McDonald's bondholders less than thrilled with payout plan 709](#)
[Oasis for Bonds - Investment-Grade Issuance Soars 709 \[Q\]](#)
[PWC - FAS-150 Accounting for certain financial instruments with characteristics of both liabilities and equity](#)
[The Dividends From Far, Far Away](#)
[Why The Flurry Of Buybacks](#)

13 Equity Analysis (Empirical Methods)

Classical Approach; Fundamental Analysis; Market Based Research; Positive Accounting Research.

Reading: Chapter 5 [Notes](#);

Class discussion: [05-08,09](#); Homework: [05-rest](#)

Markets Readings - C

[705 Documenting the Impact of Hedge Funds on Target Companies](#)
[705 U.S. Securities Law - Does 'High Intensity' Enforcement Pay Off](#)
[706 Wealth Hazard - Guessing Low On Profit Growth](#)
[Data-Mining-Isn't-a-Good-Bet-For-Stock-Market-Predictions](#)
[Dividends-Show-Us-The-Money-Fortune](#)
[Dividend-Stocks-Haven't-Caught](#)
[Do Stocks Have Any Zip Left](#)
[Earnings-Guidance-McKinsey](#)
[Everybody's an Analyst \[Q\]](#)
[IBM shares fall as accounting is scrutinised](#)
[IHOP's Tall Order: Reviving Applebee's \[Q\]](#)
[Investor Group Seeks Bond Protections \[Q\]](#)
[Losing Money by Buying Stock Back](#)
[Pfizer Plans a Revamp And \\$4 Billion in Cost Cuts](#)
[Pro Forma Earnings - A Different Recipe](#)
[Tax Cut, Shareholder Pressure Stoke Surge in Stock Dividends](#)
[These Days, Detective Skills Are Key](#)
[This Manager Keeps His Focus On The Balance Sheet](#)
[Tide-Turns-'Basic'-for-P&G-in-Slump](#)
[Valuation of a Business-AICPA](#)

Technical Analysis

Papers

Debt • Earnings-Guidance • Fundamentals or emotions • Making capital structure support strategy
 Measuring long-term performance • Measuring stock market performance •
 The right role for multiples in valuation • The value of share buybacks

**14 Empirical Analysis II
Presentations**

DUE 3 Senate Investigation of rating agencies in the aftermath of Enron

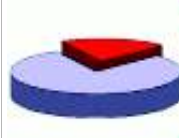
- | [Enron and the credit rating agencies](#)
- | [Is Enron Overpriced? Mar-05-01-Fortune](#)

15 Review

Current Developments



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Notes

Annual reports

Pfizer 2003 (with Pharmacia acquisition) • Pfizer 2007 • Westvaco Present Value Tables

01 Introduction: Notes

03 **Cash Flow Notes Analysis:** Notes • Bad Debts and CFO • 03-Lucent-1999-10K-Valuation (1 page) • Lucent-1999 Financials • Lucent-1999 I 10-K • Lucent-2000 Financials • Ford 2003 • Ford 2004 • Kraft & Cadbury • Apple and iPhones

04 **Ratios and Analysis:** Notes • NASDAQ • Financial Analysis of Pfizer • Financial Analysis of Pfizer with stock buyback • Dell 04 10K • Dell 05 10K • Formulas

06 **Inventory** Notes • IRS Rules • IRS Court cases • Form 970 • <http://www.exxonmobil.com/corporate/> Find XOM LIFO reserves • ExxonMobil-10K-2004

07 **Long lived assets I:** Notes • Long lived assets book example • Long lived assets revised example • Weyerhaeuser • AOL-Time Warner 2002 • Calpine • Napoleon • Lucent 1999 10K

08 **Long lived Assets II** • Estimation notes 1 • Estimation notes 2

09 **Income taxes:** Notes • Tax analysis for Pfizer • GE statements • Amazon 2002 Statement • Amazon 2001 FS • Amazon Taxes

11 Financing liabilities; Leases and incentives; Off-balance sheet activities:

Off-balance-sheet activities and Lease Notes • Denominator Year Notes • Look at lease disclosures in: Sears 1999 • J C Penney 1999 • 11-19 to 22 Sears

13 **Intercompany Investments:** Notes • Investments Example Part 1 • Part 2 • With or without ice • Analysis • Book example • Chubb group analysis (from book) • CNA 2005 **Enron:** Notes •

18 **Risk and Debt analysis:** Notes • 18-Rating-AB

05 **Equity Analysis:** Notes • Bernard & Thomas • B&T-Fillin • PPT • Campbell Reports First Quarter Results (front Company) • Campbell Soup First-Quarter Profit Climbs 31 Percent on Tax Benefit (from AP) • SanDisk Shares Drop on Intel-Micron Deal

Nike 06 Announcement • Nike Profit Falls; Marketing Costs, Options Are Cited • Nike Statements • Nike market reaction



Project

The project has two segments - oral **presentation** and a written **report**. There are two types of topics you can choose from. You can choose a company (or a few companies in an industry) or choose a general topic (e.g. Can merger success be predicted with financial statements?). Your team (up to 4 members) must decide on a topic and tell me by the 3rd class. When you tell me your topic, you must also give me a copy (or send an email copy) of the company's annual report and or the 10-Ks to me. After that, your team must schedule a meeting with me to talk about the issues you will be analyzing. Try to search the financial press (first pass: Fortune, Forbes, Business Week, Wall Street Journal and New York Times) for articles about the firm and email me. When you come to the meeting with me, please bring the basic financial statements, and any articles. At the meeting, we will come up with a set of customized issues and topics that you should focus in your presentation. Some topics are (Note that this list is not comprehensive and you need not include every item on the list) [120830](#)

- 1 ♦ Company Profile; Financial Information and Snapshots of the company
- 2 ♦ Financial Statements; Common size and summary statements;
- 3 ♦ Accounting methods (liberal or conservative); Off balance sheet items; Related party transactions
- 4 ♦ Growth or lack thereof; How did the company finance growth - analyze CFI, CFO and CFF
- 5 ♦ Ratios and comparison with industry (top market caps) and competitors
- 6 ♦ Stock overview, quotes, charts from last few years)
- 7 ♦ Risk; Debt and bond ratings; Bankruptcy probability; z-score
- 8 ♦ Key Developments; News from the financial press; Press Releases; Lawsuits; Political and social criticisms
- 9 ♦ Market Sentiment; Performance; Shares Shorted; Insider Trading; Institutional Holders
- 10 ♦ Corporate governance issues; executive turnover
- 11 ♦ Professional Analysis; Earnings Estimates; Your recommendations

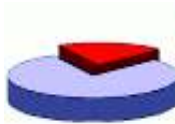
Depending on the most interesting issues that arise out of your company choice, I will schedule your group presentation in classes 6 to 15. For example, if debt and borrowing issues are the most important factor for your company, you will be scheduled for presentation in the 7th class. You also need to do a general company written report incorporating all the topics raised in the course. Guidelines are given below and the written report it is due in the last week of the term.

Choosing companies: Choose a company or industry that you may be interested for a career. Please do not choose foreign or financial or real estate firms. Some of the companies that are interesting and the ones that I can help are Chicago companies including Walgreen's, UAL, Sears, McDonalds and Abbott. Other perennial favorites include Gap, AMR, Cisco, Merck, Target, Time-Warner AOL, Maytag, GE and Wal-Mart. You can learn a lot about US capital markets by analyzing the financial statements of these firms.

Presentation guidelines

You must email me the presentation at least 3 hours before class so that I can download it to the classroom. In the class, before the presentation, give a copy of the slides to me. Please restrict yourselves to 10 -15 slides - 10 minutes. Do not show tons of financial ratios and information. Assume that the listener is well informed and make sure that they learn something new and interesting from your presentation. Do not read from a written narrative - you can look at your notes occasionally. You must look at the screen or the class and talk. I will give you a slide clicker and so when you talk you need not be near the computer in the corner. L

♦ Click for **Report guidelines** [List](#)



Current Developments

12 LEHMAN BROTHERS HOLDINGS INC

09 SEC Charges Ernst & Young And Six Partners For Roles In Accounting Violations At Bally

07 Hertz Global Holdings Inc., vs. Audit Integrity, Inc

06 Google - Questions

1. [Google Press release A](#)
 2. [Google Press release B](#)
 3. [Google Net Soars, But Not Enough - Stock Plummets](#)
 4. [Investors Take a Slap at Google](#)
-

01 Cash Flow Issues Discussion Questions

[Cash Flow Stops Propping Up Cable Companies' Stock Prices - Jan 09 97 - WSJ](#)

[Cash-Flow Crunch Sparks Ford's Desire To Become Smaller and More Focused Oct 8 01 - WSJ](#)

[Stock Options Pad Cash Flow Of Soaring Technology Issues - July 17 00 - WSJ](#)

[The Ins and Outs of Cash Flow - Jan 22 01 - BW](#)

[Up a Creek-with Lots of Cash Jan 22 01 - BW](#)

02 Worldcom Discussion Questions

- 1 SECURITIES AND EXCHANGE COMMISSION, Plaintiff v WORLDCOM, INC, COMPLAINT, Civil Action June 26, 02
 - 2 USA vs Sullivan - Criminal Complaint Aug 01 02
 - 3 INDICTMENT: UNITED STATES OF AMERICA :v SCOTT D. SULLIVAN and BUFORD YATES, JR. Aug 28 02
 - 4 Sullivan Memo
-

04 Rating Agencies In The Aftermath Of Enron- Questions

- 1 [Enron and the credit rating agencies](#)
 - 2 [Is Enron Overpriced Mar-05-01-Fortune](#)
 - 3 [Enron Articles](#)
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11 Non-GAAP Earnings

Sarbanes-Oxley-Act - Look at section 401

<http://www.uic.edu/classes/actg/actg516tr/Readings/Sarbanes-Oxley-Act.pdf>

SEC Conditions for Use of Non-GAAP Financial Measures:

<http://www.sec.gov/rules/final/33-8176.htm>

[Intuit 05/18/05:](#) http://web.intuit.com/about_intuit/investors/earnings/

Intuit's Third-Quarter Revenue Climbs 20 Percent*

Q3/FY05 Conference Call Script

Q3/FY05 Fact Sheet

Intuit New Business Restated Segments
