

**ACCT 4202**  
**Financial Statement Analysis and Valuation**  
**Spring 2016**

Instructor: Dr. Michael Yu	Classroom: Adamson Hall 227
Office: Adamson Hall 215	Class Time: M, W: 3:30 - 4:50
Phone: 678-839-6517	Office Hours: M, W: 10:00 - 12:30
Email: <a href="mailto:myu@westga.edu">myu@westga.edu</a>	M, W: 5:00 - 5:30
Course database: <a href="https://westga.view.usg.edu/">https://westga.view.usg.edu/</a>	T: 9:00 - 1:00

**I. Catalog Description**

A study of financial statements analysis and financial reporting, and how financial information are used in business valuation. Contemporary issues in financial reporting are also discussed.

**II. Required Background or Experience**

- A. Prerequisites: ACCT 2102
- B. Prerequisite Justification: Knowledge of the basic accounting model is required for successful completion of ACCT 4202.
- C. General Education (Core) Contributions: To complete assignments, critical thinking abilities developed in mathematics will be utilized.

**III. Expected Outcomes**

- A. Improve and display critical thinking and analytical abilities through problem solving and examinations. LG2.
- B. Understand the impact of alternative accounting principles and other data issues on financial statements. LG4.
- C. Understand and apply financial ratios to draw inferences about risk and profitability. LG2; LG4.
- D. Understand and develop forecasted financial statements. LG2; LG4.
- E. Understand and apply valuation models and techniques to assess firm value. LG2; LG4.

**IV. Reading Materials**

Krishna G. Palepu and Paul M. Healy, "Business Analysis and Valuation: Using Financial Statements, Text and Cases", 4<sup>th</sup> Edition (ISBN: 032430286X), South-Western Publishing, 2008.

Michael Rees, “Financial Modeling in Practice: A Concise Guide for Intermediate and Advanced Level”, Hardcover (ISBN: 978-0470997444), John Wiley & Sons, 2008.

**V. Special or Unique Student Materials**

A laptop computer and Microsoft Excel are required for this course.

**VI. Special or Unique University Facilities**

Normal classroom facilities with document camera, overhead projector, screen, and a computer.

**VII. Expanded Description of the Course and Instructional Method**

A. Expanded Description of the Course

The primary objectives of the course are to advance your understanding of how financial statements are analyzed and used in various decision making and investment settings, and help you become a skillful and skeptical user of financial statements data. The course provides a framework and the tools necessary to analyze financial statements.

The course’s distinguishing feature is that it provides students with an opportunity to develop a wide range of skills such as extracting relevant information from financial statements to discern the underlying business activities and strategy, assessing firm performance and risk, or managerial strategic motives in reporting financial information, forecasting firm performance, and conducting firm valuation.

B. Instructional Methods

The class will be built upon a combination of lecture and discussion. It is required that you come to class prepared.

**VIII. Methods of Evaluating Outcome**

There will be two quizzes, one individual project, and one team project. Final grades will also be determined by class participation and peer evaluation. Specifically, your final grades are based on performance on the following activities:

Quizzes	20%
Case Assignments	10%
Class Participation	10%
Team Project	30%
Individual Project	30%

Grading will focus on the brevity and quality of your analysis. Detailed guidance will be provided later in the semester. The +/- grading will be used in assigning the final course grades. Because you are senior students in a selective program, the expectation is that you will earn either an A or a B in the course, assuming that the assigned work is done in a competent manner.

Another important component of grading is a class participation grade. This is a case-based discussion course. Because class discussion is critical, I am allocating 10% of the total grade to your class participation. The class participation letter grade is based on the following guideline: A = regular contributor of high quality comments throughout the semester; B = occasional contributor of comments throughout the semester; C = attended class but rarely participated in class discussion. While I rely mainly on “volunteers” for the case discussions, I also “cold call” on students during case discussions, and your response to these “cold calls” will also factor into your class participation grade.

Five or six-member teams will be formed to solve one team project as part of the requirements of this course. Each team will choose one company from a specific industry from the list to be provided. The analysis should focus on accounting adjustments, financial analysis, forecasting and business valuation. For this final project, each team will make a 15-minute PowerPoint presentation of its analysis to the class. At the end of the presentation, the class will have 10 minutes for questions and discussion. You should take away from these discussions an understanding of the unique accounting and reporting characteristics of each industry.

One hard copy of the presentation and the completed analysis should be available for the instructor at the beginning of the presentation. The company analysis should probably be in the order of 8 pages in length, plus financial analysis and exhibits. The projects will be completed primarily outside of class. The presentation dates will be assigned in class after the teams have been formed.

For the final project, business attire is required for all team members on the day when the team is presenting. To facilitate my grading and enhance your learning experience, the class will also complete a team evaluation form. You are required to evaluate the contributions of yourself and your teammates to the projects. This evaluation should be turned in separately by individual team members in a sealed envelope before the presentation. In sum, your peer evaluation score will be based on two factors: (a) group members’ evaluations of yourself, and (b) the quality of your evaluation of fellow members. Your peer evaluation score will determine your grade on the final team project.

My role is that of a discussion leader and facilitator rather than a lecturer. You have a responsibility to your colleagues to come to class prepared to actively discuss the assigned cases for the day. The classroom is a collective “shared experience” in which the quality of the experience depends entirely on your participation.

Some of the cases later in the semester require financial statement analysis based on accounting ratios, or discounted cash flow analysis to derive a business valuation. I have posted EXCEL spreadsheets on the course website to facilitate the analysis of these cases. In addition, you may find it helpful to track down historical or current financial information on companies in the cases, or information about their competitors. You can get historical financial information on public companies from databases provided by the textbook, directly from companies’ websites, or from the SEC’s Edgar database <http://www.sec.gov>. Free Edgar <http://www.freeedgar.com> also allows easy access to SEC filings, but you have to click on the “free” service in the upper right hand corner of their home page.

## **IX. Policies**

- A. Disruptive behavior will be handled as stated in the Student Conduct Code 3.00 (Appendix A in the Student Handbook). Examples of disruptive behavior are listed in the Handbook.

Behavior that is of particular concern recently is the use of cell phones, pages, and games:

1. No pagers, cell phones, musical calculators, or games may be used during class. If you forget to turn off your cell phone and it rings (or vibrates), please turn it off immediately.
  2. DO NOT leave class to answer a phone call. If you are expecting an important call, make arrangements to receive it outside of class.
  3. DO NOT play games, text, Twitter, or access Facebook/My Space during class.
- B. There is no extra credit in this course beyond that explicitly stated in the course syllabus. Work submitted for credit in other courses will not count for credit in this course.
- C. The instructor does **not give** the final grade. The final grade is the grade the student **earned** during the semester due to course work, exams, quizzes, assigned work, etc. Don't bother asking the instructor to "improve" a final grade.
- D. Academic dishonesty will result in dismissal from the class with the grade of F.

## **X. Course Database**

The course database will contain important class materials, announcements, and additional readings. To access the database go to <https://westga.view.usg.edu/>, then enter your user ID and password.

## **XI. Student Rights and Responsibilities**

Please carefully review the information at the following link:

[http://www.westga.edu/assetsDept/vpaa/Common\\_Language\\_for\\_Course\\_Syllabi.pdf](http://www.westga.edu/assetsDept/vpaa/Common_Language_for_Course_Syllabi.pdf)

The document at this link contains important information pertaining to your rights and responsibilities in this class. Because these statements are updated as federal, state, university, and accreditation standards change, you should review the information each semester.

## **XII. Credit Hour Policy**

Students in this class will spend 160 minutes per week with faculty instruction (either face-to-face or online). Generally, students can expect to spend about 480 minutes of class work outside of the classroom each week. This out-of-class work may include, but is not limited to readings, assignments, projects, group work, research, and test preparation. The amount of out of class time required for a given outcome will vary by student.

## ACCT 4202 Financial Statement Analysis & Valuation Class Outlines

### Financial Modeling with Spreadsheets – Sessions 1, 2, 3, & 4

- 1) Text: Financial Modeling in Practice: A Concise Guide for Intermediate and Advanced Level
- 2) Other materials from the course database
- 3) Assignments: If you are not familiar with Microsoft Excel, you need to finish reading the first 6 chapters of the textbook by the end of the first week after school starts.

### Introduction – Session 5

- 1) Text: Chapter 1
- 2) Case: The Role of Capital Market Intermediaries in the Dot-Com Crash of 2000
- 3) Assignments: Please prepare one-page summary. Briefly describe the causes of the Dot-Com crash. Who should we blame? Can we prevent this type of crisis from happening again?

### Accounting Analysis – Sessions 6, 7, 8, & 9

- 1) Text: Chapters 3 & 4
- 2) Cases: Harnischfeger Corporation  
Revenue Recognition Problems in the Communications Equipment Industry
- 3) Assignments: For the first case, please identify five (5) changes in accounting policies or accounting estimates. Are these changes legitimate? Is it necessary to make these changes? For the second case, please identify the specific problems at Lucent. How would you make adjustments to correct these problems? Maximum length is 2 pages.
- 4) **Quiz 1 - Chapters 3 & 4**

### Individual Project – Sessions 10, 11, 12, & 13

### Financial Analysis – Sessions 14 & 15

- 1) Text: Chapter 5
- 2) Case: United Parcel Service's IPO
- 3) Assignments: How would you rate UPS's performance? Does it make sense for UPS to carry out an IPO? How would compare UPS's performance with FedEx's performance? Maximum length is 2 pages, plus any attached spreadsheets.

### Strategy Analysis – Session 16

- 1) Text: Chapter 2
- 2) Case: Inventec Corporation
- 3) Assignments: Please prepare one-page summary. First, briefly describe the challenges the company was facing at the time of the case. Does the company have valid strategies to compete with its competitors? How would you predict the company's future?

### Forecasting – Sessions 17 & 18

- 1) Text: Chapter 6
- 2) Case: Krispy Kreme Doughnuts (KKD)
- 3) Assignments: Please prepare forecasted balance statements for KKD. What factors have you examined when you make your forecast? Does KKD have a valid strategy for growth? Maximum length is 2 pages.

Valuation – Sessions 19, 20, 21, & 22

- 1) Text: Chapters 7 & 8
- 2) Cases: Valuation Ratios in the Restaurant Industry  
Home Depot in the New Millennium
- 3) Assignments: For the first case, explain the characteristics that are driving each firm's valuation multiples. How do you read the exhibits provided by the case?  
For the second case, evaluate Home Depot's financial performance and explain whether the company's has a valid growth strategy. Use the three methods we discussed in class (DCF, abnormal earnings, and abnormal ROE) to value Home Depot. You may want to copy and modify the template posted on the course website for this exercise. Maximum length is 1 page, plus any attached spreadsheets.
- 4) **Quiz 2 - Chapters 7 & 8**

Credit Analysis and Distress Prediction – Sessions 23 & 24

- 1) Text: Chapter 10
- 2) Papers: Wanda Wallace, 2004. Risk Assessment by Internal Auditors Using Past Research on Bankruptcy. The Institute of Internal Auditors Research Foundation, Florida.
- 3) Case: Amazon
- 4) Assignments: List Ravi Suria's key criticisms. Do you agree with these criticisms? What other concerns would you have about Amazon's performance? What is your assessment of the company's future? Maximum length is 2 pages.

Final Team Project Presentations – Sessions 25, 26, & 27

Cases: To be provided in class

## ACCT4202 Tentative Schedule and Assignments

Date	Day	Topics	Text	Readings	Cases and Assignments
Jan 11	M	Financial Modeling	MR	Chapters 1-2	
Jan 13	W	Financial Modeling	MR	Chapters 3-4	
Jan 18	M	<b>NO CLASS - MLK HOLIDAY</b>			
Jan 20	W	Financial Modeling	MR	Chapters 5-6	
Jan 25	M	Financial Modeling	MR	Chapters 7-8	
Jan 27	W	Financial Modeling			
Feb 01	M	Introduction to Financial Analysis	PH	Chapter 1	The Role of Capital Market Intermediaries
Feb 03	W	Accounting Analysis	PH	Chapter 3	
Feb 08	M	Accounting Analysis	PH	Chapter 4	
Feb 10	W	Accounting Analysis	PH		Harnischfeger Corporation
Feb 15	M	Accounting Analysis	PH		Revenue Recognition Problems at Lucent
Feb 17	W	Individual Project			<b>Quiz 1 at the beginning of class</b>
Feb 22	M	Individual Project			
Feb 24	W	Individual Project			
Feb 29	M	Individual Project			
Mar 02	W	Financial Analysis	PH	Chapter 5	
Mar 07	M	Financial Analysis	PH		United Parcel Service's IPO
Mar 09	W	Strategy Analysis	PH	Chapter 2	Inventec Corporation
Mar 14	M	<b>NO CLASS - SPRING BREAK</b>			
Mar 16	W	<b>NO CLASS - SPRING BREAK</b>			
Mar 21	M	Forecasting	PH	Chapter 6	<b>Individual Project Due at 5:00pm</b>
Mar 23	W	Forecasting	PH		Krispy Kreme Doughnuts
Mar 28	M	Valuation	PH	Chapter 7	
Mar 30	W	Valuation	PH	Chapter 8	
Apr 04	M	Valuation	PH		Valuation Ratios in the Restaurant Industry
Apr 06	W	Valuation	PH		Home Depot in the New Millennium
Apr 11	M	Credit Analysis and Distress Prediction	PH	Chapter 10	<b>Quiz 2 at the beginning of class</b>
Apr 13	W	Credit Analysis and Distress Prediction	PH		Amazon
Apr 18	M	Final Project Presentation			To be provided
Apr 20	W	Final Project Presentation			<b>Final Group Project Due at 5:00pm</b>

\*All case summaries (hard copy only) are due at the end of the class on the dates when these cases are to be discussed.

\*\* MR refers to the Michael Rees book, and PH refers to the Palepu and Healy book.