

COURSE INFORMATION

Course title:	Financial Statement Analysis		
Course code:	BAAC 501	Credits:	1.5
Session, term, period:	2019, Period 6	Class location:	ANGU 435
Section:	001	Class times:	Tue/Thu 2:00pm – 4:00pm
Course duration:	Sept 3 to Oct 4, 2019	Pre-requisites:	BA 505
Division:	Accounting & Information Systems	Co-requisites:	n/a
Program:	MBA		

INSTRUCTOR INFORMATION

Instructor:	Joy Begley, CFA, CPA, PhD		
Phone:	(604) 822-8527	Office location:	ANGU 377
Email:	Joy.begley@sauder.ubc.ca	Office hours:	Mon/Wed 11:00am - noon

COURSE DESCRIPTION

This course provides you with a systematic framework for using financial statements in business analysis. This involves: understanding the firm's operating environment and growth opportunities; assessing the quality of available financial statement information for the decision at hand, being prepared to adjust the financial numbers to better answer your question of interest; performing ratio analysis and making forecasts that support your final decision.

COURSE FORMAT

Approximately 60% of the classroom time will be spent on lectures and discussions with the remainder being spent discussing cases and other applied examples. The lectures will present analysis techniques designed to address questions commonly asked by external financial statement users. The cases will give us the opportunity to see the analysis techniques applied to a company and they are also designed to expose you to different industry settings. Lecture preparation will involve reading the text book and other assigned readings. Preparation for case discussions will involve familiarizing yourself with the facts of the case and attempting to answer four or five questions designed to focus your analysis of the corporation.

LEARNING OBJECTIVES

The goal of this course is to help you to become a more confident financial statement user, integrating accounting and non-accounting information into your decision making. You will learn a comprehensive approach to examining financial statements and use this approach to be able to answer questions, such as: (a) How have the managers performed? (b) What growth strategy are the managers pursuing? (c) How is the company likely to perform in the future? (d) Should I consider lending money or going into business with this firm? (e) What firm valuation do my forecasts imply? Many business decisions involve coming up with and using forecasts of future performance. In this course we work with a financial modeling spreadsheet (eVal) to perform ratio analysis, then we combine the ratios with other current information about the firm to generate forecasts for decision making and valuation. This course should be of interest to anyone that expects to analyze and evaluate financial statements and related financial disclosures in their career, and also to those who plan to manage their own investment portfolio.

ASSESSMENTS

Summary

<u>Component</u>	<u>Weight</u>
Assignments	35 %
Group final project	55 %
Midterm exam(s)	0 %
Final exam	0 %
Class participation	<u>10%</u>
Total	<u>100%</u>

Details of Assessments

Assignments

There are three Individual Cases. Together they account for 35% of your grade (equally weighted):

- Starbucks Corporation Case
- Oracle
- Banking industry Case

Preparation of these cases should be part of your normal preparation for class and should take approximately 3-4 hours per case. Focus questions for each case, along with the company's annual report and other reference materials, will be posted on Canvas (under course content) a week before they are due to be handed in. In general, the questions will require you to use your business knowledge and common sense, going beyond a simple mechanical answer. Therefore, some questions may have a number of possible alternative correct answers.

Everyone is expected to be prepared to discuss all of the cases.

Executive Summaries:

You are required to hand in an individual write-up of your answers to the posted focus questions for each case. All case write-ups and supporting tables must be individually prepared and are due at the beginning of the class in which the case is to be discussed. Your summary should address the questions raised in the case. The page limit is two typewritten pages (1.25 spacing / 11 point font, normal margins) plus any supporting tables. While you are permitted to discuss these cases with other students in the course, it is very important that the work you hand in (both your analysis and your executive summary) be entirely your own. Do not copy the work of others and don't hand in common spreadsheets or marks will be deducted.

When something is to be handed in bring an extra copy to refer to during the in class discussion.

Group Final Project

(3 – 4 members per group)

– **Either a loan evaluation recommendation or an equity valuation recommendation**

Your group has been hired as a team of financial consultants. You and the team are asked to make a loan or equity recommendation, on a North American public company of your choice. Your group must conduct a complete analysis of your chosen firm, produce a set of forecasted financial statements and prepare a written report carefully laying out justification for your loan or equity investment recommendation. During exam week your group will present a 12 to 13 minute synopsis of your results. All group members must be present for the presentations.

Grade allocation: [project 40/55; presentation 15/55]

Further details regarding the group project will be posted on Canvas.

LEARNING MATERIALS

Required: Lundholm and Sloan, *Equity Valuation and Analysis*, 4th edition, 2017
(ISBN-13: 978-1548118921)

The text book is accompanied by a free on line website: www.lundholmandsloan.com where you can download the *eVal* spreadsheets, and find links to other useful websites. I will explain in class how to work with the *eVal* financial modelling software. In the mean time, download the *eVal* workbook spreadsheet and Datamaker to your computer. The financial model contained in the *eVal* spreadsheets is intuitive to understand and easy to use. Feel free to play around with it before the course begins if you wish.

Estimated cost of required materials: less than \$100 [A limited number of copies of the Lundholm and Sloan textbook are available in the bookstore. Additional copies can purchased at a reasonable price through Amazon.ca.]

Additional materials recommended but not required: N/A

COURSE-SPECIFIC POLICIES AND RESOURCES

Missed or late assignments, and regrading of assessments

Late submissions will not be accepted and will receive a grade of zero.

Academic Concessions

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](https://webforms.sauder.ubc.ca/academic-concession-rhlee) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

Other Course Policies and Resources

- Policies on assessment due prior to students joining the course (i.e., during the add/drop period). There are no assignments due during the first week of class.

POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

Attendance

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

Punctuality

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

Electronic Devices

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

Citation Style

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

Academic Integrity

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

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All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline. Audio or video recording of classes are not permitted without the prior approval of the Instructor.]

ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwm̓əθkw̓əy̓əm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

COURSE SCHEDULE

(Subject to change with class consultation)

Class	Date	Topic	Readings or Activities	Assessments due
1	Sept 3	Introduction	L&S Ch. 1 & 2	
2	Sept 5	Strategy analysis & intro to eVal	Ch. 3, also skim Sarbucks' Annual report and MD&A	
3	Sept 10	Starbucks Corp case		Starbucks case
4	Sept 12	Accounting analysis	Ch. 4	
5	Sept 17	Oracle case	See <i>Library Online Course Reserves</i>	Oracle case
6	Sept 19	Financial ratio analysis	Ch. 5 & Pratt Append. 5A (<i>Library Online Course Reserves</i>)	
7	Sept 24	Risk and CF analysis	Ch. 6	
8	Sept 26	Banking case		Banking case
9	Oct 1	Forecasting	Ch. 7 & Ch. 8	
10	Oct 3	Forecasting & valuation	Ch. 10	
Week 6		Presentations		Group Project