

COURSE INFORMATION

Course title:	Financial Statement Analysis		
Course code:	BAAC 501	Credits:	1.5
Session, term, period:	2021W Period 6	Class location:	HA 254
Section(s):	001	Class times:	Tue Thu: 2:00 PM to 4:00 PM
Course duration:	January 3 rd – February 3 rd , 2022	Pre-requisites:	N/A
Division:	Accounting and Info Systems Co-requisites:		
Program:	FTMBA Class of 2022		

INSTRUCTOR INFORMATION

Instructor:	Yifang Xie, Assistant Professor of Accounting		
Phone:	Not accessible	Office location:	HA 376
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Teaching assistant:	Minjia Li
Office hours:	TBA
Email:	minjia.li@sauder.ubc.ca

COURSE DESCRIPTION

The course provides you with the toolbox to analyze a firm's financial statements and draw inferences regarding a firm's business strategy and its value implications.

The course addresses the following important questions, including

- How does a firm's business strategy contribute to its financial performance?
- What causes the deviation of a firm's financial performance from its industry peers? Is the deviation a healthy sign of the firm's strategy?
- Do a firm's financial statements accurately reflect its performance? If not, what are the red flags?
- How to forecast a firm's future performance? What are the value implications of the forecasts?

The focus of the class is on integrating key concepts from accounting, finance, and economics, and applying them to real-world problems. The class also has a financial modeling component so that as the class progresses, students will build the pieces of a comprehensive financial statement analysis and forecasting tool.

The class should be of great interest for anyone expecting to analyze financial statements and evaluate financial information. In particular, we highly recommend this course for students pursuing a career in equity research, asset management, general management, or consulting.

COURSE FORMAT

Classes will be in-person, and will be a mix of lecture, discussion, group work, and independent study.

LEARNING OBJECTIVES

By the end of this course, students will be able to:

1. Assess a firm's business strategy and how it should reveal itself in the financial statements
2. Analyze a firm's accounting policies and estimates, and be able to recognize earnings management
3. Develop a comprehensive financial ratio analysis of a firm's performance
4. Forecast a firm's future in a coherent and structured way
5. Estimate the value of a firm's equity based on financial statement forecasts

ASSESSMENTS

Summary

<u>Component</u>	<u>Weight</u>
Homework Assignments	10%
Group project – Written Report	35%
Group presentation – Presentation	10%
Final exam	35%
Constructive Contribution	<u>10%</u>
Total	<u>100%</u>

Details of Assessments

1. Homework Assignments (10%)

- There will be one homework assignment for the course. The homework assignment is written responses to the questions in a case. The assignment will be posted on CANVAS. Late assignments will not be accepted.
- You can either choose to work independently or collaborate with other students (i.e., to work as a group) on the homework assignment. **If you choose to form a group, please note that each group cannot have more than four group members.** If, due to very valid reasons, some students have to form a group with more than four members, please send the instructor an email, along with the justification, for approval. Please note that, to create a fair environment for all students, the assignment grade of large groups (i.e., groups consisting of over four members) will be subject to a 5% discount. For example, if a group earns 100 points in the assignment and the group has more than four members, the grade for the group assignment will be automatically adjusted to 95 points.

2. Final Group Project (Written Report 35%, Presentation 10%)

Please note that you are free to form a completely different team for the final project than for the homework assignment. You are always free to work with your homework assignment team for the final project. The final project and the homework assignment are independent of each other.

The final group project requires you to conduct a set of financial statement analysis for a public firm.

After your analysis, you should:

- Submit a **written report**, which details your analysis of the firm. When writing the report, you should 1) be as comprehensive and thoughtful as possible and 2) justify your statements with analysis, both qualitative and quantitative. Each group must provide carefully laid-out justifications for your recommendation in the written report. **Each group is only required to submit one written report, as a group.**

- Present the analysis in class. **All the group members** must participate in the group presentation. Each individual group member will individually be given a presentation grade. The presentation grade will be based on the clarity, logic flow, thoughtfulness, and other merits of the individual presenter. Failure to participate in the presentation will lead to a grade of zero in the presentation. Students who require an accommodation with regard to the “in-class presentation” requirement must contact the instructor in the first week of the semester to discuss alternative options.

Further details regarding this project will be posted on Canvas.

Group formation for the final group project:

- To better prepare for your group project, you are encouraged to form a group as early in the semester as possible.
- Due to fairness concerns, **a group cannot have more than four group members**. If, due to very valid reasons, some students have to form a group with more than four members, please send me an email, along with the justification, for approval. Please note that, to create a fair environment for all students, the grade of large teams (i.e., teams consisting of over four members) will be subject to 5% discount. For example, if a team earns 100 points in the written report and the team has more than four members, the grade for the written-report will be automatically adjusted to 95 points.
- A group of fewer than four members or even going solo is automatically allowed.

3. Final Exam (35%)

The final exam will be open book and notes. Further details about the final exam will be provided closer to the exam date. If you require accommodations for accessibility needs or technical/connectivity issues, please contact the Centre for Accessibility or your Enrolment Services Advisor.

4. Constructive Contribution (10%)

The constructive contribution portion is NOT narrowly geared towards in-class discussions. Instead, **it is intended to encourage**

- 1) all students to contribute to the learning environment; 2)
- all students to show respect for the class and your peers.

Please treat each class as a business meeting. Please note that disruptive behavior, including (but are not limited to) texting, or disturbing others during class, will negatively impact the constructive contribution portion of the grade.

LEARNING MATERIALS

Recommended Textbook:

Lundholm and Sloan, *Equity Valuation and Analysis* 5nd edition. ISBN: 9781079983357. Available on [Amazon.com](https://www.amazon.com) or on [Amazon.ca](https://www.amazon.ca) but NOT the bookstore. \$US 75.

The book is also available electronically at RedShelf (<https://redshelf.com>):

<https://www.redshelf.com/book/1248711/equity-valuation-and-analysis-5th-edition-12487119781733498005-russell-lundholm-and-richard-sloan>

Other Course Materials:

- www.lundholmandsloan.com. This website provides links to software, cases, webcasts and other materials related to the course. The financial spreadsheet for forecasting, **eVal**, is also available on this website.
- canvas.ubc.ca. The CANVAS site will contain the critical files for the course.

Laptops/Desktops: Besides needing a computer to connect to class, the course requires the manipulation of spreadsheets and the collection of information from the internet.

COURSE-SPECIFIC POLICIES AND RESOURCES

Missed or late assignments, and regrading of assessments

- Late submissions of assignments and final projects will not be accepted and will receive a grade of zero.
- Assignment or exam marks: If you feel you have been wrongly assessed, please prepare a written request indicating why you feel the marking was not appropriate. Submit your request to the teaching assistant within one week of receiving the mark for your assignment or the exam, or it will not be considered. Your work will be re-marked, as well as the entire document. This may result in an increase, decrease or no change in your total mark. You are also encouraged to keep the “magnitude” of marks in context. Any one question on an exam, assignment or on-line assessment will only account for a very small percentage of your overall grade.

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](#). 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](#).

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.

COVID-19 Policies for Attendance & Academic Concessions:

If a student feels unwell, they should stay home and send a courtesy email to each impacted instructor and cc their program manager. The student should also submit an [Academic Concession Request & Declaration Form](#).

If a student suspects possible COVID-19 infection, they should use the BC Ministry of Health's [self assessment tool](#), to help determine whether further assessment or testing for COVID-19 is recommended.

If a student is required to self-isolate (e.g., while waiting for test results), they should follow the steps above (stay home, email instructor(s) and program manager, submit an [Academic Concession Request & Declaration Form](#), and follow BC Health Guidance.

Students who are required to quarantine, should get in touch with their Program Manager to discuss the possibility of academic concessions for each impacted course. The Program Manager will work closely with your instructors to explore options for you to make up the missed learning.

COVID-19 Safety in the Classroom:

Masks: Masks are **required** for all indoor classes, as per the BC Public Health Officer orders. For our inperson meetings in this class, it is important that all of us feel as comfortable as possible engaging in class activities while sharing an indoor space. For the purposes of this order, the term “masks” refers to medical and non-medical masks that cover our noses and mouths. Masks are a primary tool to make it harder for COVID-19 to find a new host. You will need to wear a medical or non-medical mask for the duration of our class meetings, for your own protection, and the safety and comfort of everyone else in the class. You may be asked to remove your mask briefly for an ID check for an exam, but otherwise, your mask should cover your nose and mouth. Please do not eat in class. If you need to drink water/coffee/tea/etc, please keep your mask on between sips. Students who need special accommodation are asked to discuss this with the program office.

Seating in class: To reduce the risk of COVID-19 transmission, please sit in a consistent area of the classroom each day. This will minimize your contacts and will still allow for the pedagogical methods planned for this class to help your learning.

Visit the following website for the most recent updates regarding COVID-19 protocol on campus:
<https://students.ubc.ca/campus-life/returning-to-campus>

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-resource-support-student-success>.

Respect for Equity, Diversity, and Inclusion

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

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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may the lecture recording or part of the recording be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without the prior consent of the instructor. Students may not share class Zoom links or invite others who are not registered to view sessions.

ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the x^wməθk^wəyəm (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)

Class	Synchronous Or Asynchronous	Date	Topic	Assessments due
1	Synchronous	Tuesday, January 4, 2022	Introduction	
2	Synchronous	Thursday, January 6, 2022	Information Collection	
3	Synchronous	Tuesday, January 11, 2022	Business Strategy Analysis & Accounting Analysis	
4	Synchronous	Thursday, January 13, 2022	Accounting Analysis	
5	Synchronous	Tuesday, January 18, 2022	Accounting Analysis & Cash Flow Analysis	
6	Synchronous	Thursday, January 20, 2022	Cash Flow Analysis & Financial Ratio Analysis	The homework assignment must be submitted before 11:59 pm January 19, 2022.
7	Synchronous	Tuesday, January 25, 2022	Financial Ratio Analysis	
8	Synchronous	Thursday, January 27, 2022	Financial Ratio Analysis & Valuation	
9	Synchronous	Tuesday, February 1, 2022	Valuation and Forecasting	
10	Synchronous	Thursday, February 3, 2022	Student Presentation	