

COURSE INFORMATION

Course title:	Financial Statement Analysis	Credits:	1.5
Course code:	BAAC 501	Class location:	Online via Zoom
Session, term, period:	Summer 2021	Class times:	June 6, June 20, July 4; 8:30am-4:00pm.
Section(s):	301	Pre-requisites:	BAAC 550
Course duration:		Co-requisites:	n/a
Division:	Accounting and Info Systems		
Program:	PMBA		

INSTRUCTOR INFORMATION

Instructor:	Yifang Xie, Ph.D., Assistant Professor of Accounting		
Phone:	Not accessible	Office location:	online
Email:	Yifang.xie@sauder.ubc.ca	Office hours:	By appointment
Teaching assistant:	Yuxiang Zheng		
Email:	Yuxiang.zheng@sauder.ubc.ca		

COURSE WEBSITE

[HTTPS://CANVAS.UBC.CA/COURSES/72419](https://CANVAS.UBC.CA/COURSES/72419)

Zoom Meeting URL:

<https://ubc.zoom.us/j/69216420571?pwd=bjFLMVYvTGhLSjdmZFFERzhzcOUwUT09>

Zoom Meeting ID:

692 1642 0571

Passcode:

2021

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

We will use Zoom to hold our classes during the scheduled class times. Classes 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 (DUE JUNE 13)	10%
Group project – Written Report (DUE JULY 11)	35%
Group presentation – Presentation	10%
Final exam (JULY 18)	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. The assignment must be submitted to Canvas before the second class. Late assignments will not be accepted.
- You are free to 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 when working on the final project than for the homework assignment. You are always free to work with your homework assignment team to work with 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 Zoom 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. Per the guideline of the school, this course uses **Lockdown Browser** for the final exam. This tool was chosen in order to address accreditation requirements and maintain academic integrity for tracking academic progress of individual students. Further details about the final exam, including its timing on July 18th, 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. As such, it is important to act professionally:

- Please **turn on your camera** during class time. Your grade in the constructive contribution portion is conditional on that your camera is on. Students who require an accommodation with regard to the “camera on” requirement must contact their instructors in advance of the first class to discuss options.
- 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* 5th 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-1248711-9781733498005-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 will not be accepted and will receive a grade of zero. This is standard for RHL courses.

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](#).

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

During online lectures, students are not permitted to use any electronic devices other than the primary one used for attending the online lecture (e.g. laptop or desktop). Only Zoom should be open during the online lecture unless an instructor advises the use of another program/website for an in-class activity. Feedback from students indicates that personal devices are the number one distraction from effective learning and participation in the online learning environment.

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>.

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.

Academic Freedom and Students Studying from Outside Canada

During this pandemic, the shift to online learning has greatly altered teaching and studying at UBC, including changes to health and safety considerations. Keep in mind that some UBC courses might cover topics that are censored or considered illegal by non-Canadian governments. This may include, but is not limited to, human rights, representative government, defamation, obscenity, gender or sexuality, and historical or current geopolitical controversies. If you are a student living abroad, you will be subject to the laws of your local jurisdiction, and your local authorities might limit your access to course material or take punitive action against you. UBC is strongly committed to academic freedom, but has no control over foreign authorities (please visit <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=3,33,86,0> for an articulation of the values of the University conveyed in the Senate Statement on Academic Freedom). Thus, we recognize that students will have legitimate reason to exercise caution in studying certain subjects. If you have concerns regarding your personal situation, consider postponing taking a course with manifest risks, until you are back on campus or reach out to your academic advisor to find substitute courses. For further information and support, please visit: <http://academic.ubc.ca/support-resources/freedom-expression>

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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 and could be subject to legal action. Any lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case 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 xwməθkwəyəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

ONLINE TEACHING TOOL & REQUIREMENTS

This course will be taught using Zoom for synchronous classes and office hours.

For this course, you are required to use a Zoom account during synchronous classes and office hours. If you do not have a Zoom account, you can create one here: <https://zoom.us/signup>. Note: creating a Zoom account requires that you provide a first name, last name, and email address to Zoom. For privacy purposes, you may consent to using your existing email address and your real name. Alternatively, if you prefer, you may sign up using an alternative email address and an anonymized name that does not identify you (i.e. Jane Doe, jane.doe@email.com). If you have trouble creating an account, or accessing a Zoom session, please contact CLCHelp@sauder.ubc.ca. You will be required to provide the email address associated with your Zoom account in a Canvas quiz for identification purposes.

To help replicate the classroom experience, make sessions more dynamic and hold each person accountable, both students and instructors are required to have their cameras on during Zoom sessions. Students who require an accommodation with regard to the “camera on” requirement must contact their instructors in advance of the first class to discuss options. As professional graduate students, students are expected to conduct themselves professionally by joining sessions on time, muting mics when not speaking, refraining from using any other technology when in-session, attending in business casual dress (at a minimum), and participating from a quiet environment. Content from synchronous sessions will be selectively recorded per instructor discretion and made available to students on Canvas for a maximum duration of the course length. This is done to allow students the opportunity to return to lecture content to solidify learnings.

COURSE SCHEDULE

(Subject to change with class consultation)

Class	Synchronous Or Asynchronous	Date	General Nature of the Topics	Recommended Readings (L&S: Lundholm & Sloan Textbook)	Assessments due
1	Synchronous	June 6 th	<ul style="list-style-type: none"> • Introduction • Information Collection & Business Strategy Analysis • Accounting Analysis • Cash Flow Analysis (Part I) 	L&S: <ul style="list-style-type: none"> • CH. 3 • CH. 4 • CH. 6 (6.1 to 6.4) 	<ul style="list-style-type: none"> • Pre-class reading assignment: <ul style="list-style-type: none"> — Item 1 and Item 7 in Netflix's Form 10 K. Please go to "Modules" on Canvas to find the Netflix's Form 10K.
2	Synchronous	June 20 th	<ul style="list-style-type: none"> • Cash Flow Analysis (Part II) • Financial Ratio Analysis • Valuation (Part I) 	L&S: <ul style="list-style-type: none"> • CH. 5 (5.1 to 5.8) • CH. 10 • CH. 11 	<ul style="list-style-type: none"> • The homework assignment must be submitted to Canvas before the second class.
3	Synchronous	July 4 th	<ul style="list-style-type: none"> • Valuation (Part II) • Forecasting • Student Presentations 	L&S: <ul style="list-style-type: none"> • CH. 8 • CH. 9 	
4	Synchronous	July 18 th	<ul style="list-style-type: none"> • Final Exam 		<ul style="list-style-type: none"> • Details TBD

