

COURSE INFORMATION

Course title:	Financial Statement Analysis	Credits:	1.5
Course code:	BAAC 501	Class location:	HA 133
Session, term, period:	Summer 2022	Class times:	May 29, June 12, June 26 8:30am – 4:00pm
Section(s):	301	Pre-requisites:	BAAC 550 and BAAC 551
Course duration:	May 29 to July 17, 2022	Co-requisites:	n/a
Division:	Accounting and Info Systems		
Program:	PMBA		

INSTRUCTOR INFORMATION

Instructor:	Douglas Yee, CPA, CA	Office location:	Online
Phone:	Not accessible	Office hours:	By appointment
Email:	doug.yee@sauder.ubc.ca		

Teaching assistant: Gordon Zhang
Email: guorongz@student.ubc.ca

COURSE DESCRIPTION

This course provides you with a framework for using financial statements and related sources of information in business analyses. The class presents a set of tools to analyze financial statements and related company disclosures (e.g. Management's Discussion and Analysis, News Releases, etc.), and demonstrates how to use the information to evaluate financial performance. In addition to discussing financial statement analysis techniques, the course addresses issues such as:

1. Potential for management manipulation of financial statements – how manipulation can occur and the motivations for doing so.
2. How to understand a firm's performance compared to its competitors/peers.
3. Using historical financial statements and disclosures as a basis for making predictions of future cash flows and/or earnings, and determinations of value for purposes of capital allocation (e.g. investing in debt or equity securities).

The focus of the class is on integrating key concepts from accounting, finance and economics, and applying them to real-world situations. 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/projecting tool. The class should be of great interest for anyone expecting to analyze and evaluate financial statements and related financial disclosures. 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 held in-person 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 primary financial statements and disclosures, and be able to recognize potential earnings management.

3. Develop a comprehensive financial ratio analysis of a firm's performance.
4. Forecast/Project a firm's future cash flows, earnings, and financial position in a coherent and structured way.
5. Estimate the value of a firm based on financial statement forecasts/projections.

ASSESSMENTS

Summary

<u>Component</u>	<u>Weight</u>
Assignments	20%
Group project	30%
Final exam	40%
Constructive Contribution	<u>10%</u>
Total	<u>100%</u>

Details of Assessments

Assignments

Various assignments will be posted on Canvas and WileyPlus for grading. Topics covered on the Assignments will include:

- Understanding the Income Statement, Balance Sheet and Cash Flow Statement, and related disclosures.
- Ratio Analysis and other analytical tools.
- Case analyses.

Group Project

The Group Project will involve forming a group of between 2 to 4 individuals. The group will be expected to conduct a comprehensive financial analysis project for a selected North American-listed public company (Listed on either the TSX, TSXV, NYSE, or NASDAQ). The report should include business strategy analysis, accounting analysis, financial ratio analysis, cash flow analysis as well as forecasting/projecting and valuation analysis. Details of the group project will be posted on Canvas. In addition to a written report, the group will be expected to prepare a video presentation for posting on Canvas.

Final Exam

Additional information about the Final Exam will be posted as the term progresses.

Constructive Contribution

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

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

Though regular contribution is valuable, the quality and depth of contribution is equally, if not more, important.

LEARNING MATERIALS

Lecture Notes and Materials will be posted on Canvas. Students are encouraged to Download the Materials prior to class. Though most of the material will be covered during class, students will find it helpful to preview the materials prior to attending class.

There are two Recommended Textbooks for this course but students are only expected to acquire one of them, based on their focus for the course. Refer to the information below regarding the two textbooks

Textbook #1 (Greater focus on Equity Valuation)

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 UBC 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>

Website: www.lundholmandsloan.com. (optional). This website provides links to software, cases, webcasts and other materials related to the course material. A financial spreadsheet for forecasting, eVal, is also available on this website.

Textbook #2 (More discussion of financial reporting issues and IFRS)

ETEXT RENTAL 180 DAY : INTERNATIONAL FINANCIAL STATEMENT ANALYSIS 4/E
By ROBINSON / CEI / 222
ISBN: 9781119628149

Print copy is also available: ISBN 9781119628057

EText or print copy can be obtained via the UBC Bookstore.

Laptops: The course requires the use of Excel workbooks or spreadsheets, and the collection of information from the internet. Ideally, students should bring a laptop to class.

COURSE-SPECIFIC POLICIES AND RESOURCE

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](#). 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 in-person 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-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.

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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 with class consultation)

Class	Synchronous Or Asynchronous	Date	Topic	Recommended Readings (L&S or Robinson)	Assessments due
1	Synchronous	May 29	<ul style="list-style-type: none"> • Introduction • Information Collection & Business Strategy • Accounting Analysis • Cash Flow Analysis 	<p>L&S:</p> <ul style="list-style-type: none"> • CH. 1 • CH. 2 • CH. 3 • CH. 4 • CH. 6 (6.1 to 6.4) <p>OR Robinson</p> <ul style="list-style-type: none"> • CH. 1 • CH. 2 • CH. 3 • CH. 4 • CH. 5 	Assignment #1 Financial Statements Review. (Due date: May 28, 2022)
2	Synchronous	June 12	<ul style="list-style-type: none"> • Financial Reporting Quality • Applications of Financial Statement Analysis 	<p>L&S:</p> <ul style="list-style-type: none"> • CH. 5 (5.1 to 5.8) • CH. 10 • CH. 11 <p>OR Robinson</p> <ul style="list-style-type: none"> • CH. 6 • CH. 11 • CH. 12 	Assigmennt #2 Ratios and Other Analysis. (Due date: June 11, 2022) Group Project Phase 1. Summary of Chosen Company. (Due date: June 16, 2022)
3	Synchronous	June 26	<ul style="list-style-type: none"> • Applications of Financial Statement Analysis • Valuations • Forecasting/Projecting • Group Video Presentation 	<p>L&S:</p> <ul style="list-style-type: none"> • CH. 7 • CH. 8 • CH. 9 <p>OR Robinson</p> <ul style="list-style-type: none"> • CH. 17 • CH. 18 	Group Project Phase 2. Final Report and Video. (Due date: June 24, 2022) Assignment #3 (Due date: July 2, 2022)
4	Synchronous	July 17	<ul style="list-style-type: none"> • FINAL EXAM 		Details to be announced.