



UNIVERSITY OF NOTRE DAME

MENDOZA COLLEGE OF BUSINESS
DEPARTMENT OF ACCOUNTANCY

ACCT 70311 – Analysis and Valuation Using Financial Statements Spring 2022 University of Notre Dame

I. Professor Contact Information

Professor: Stephannie Larocque, CFA PhD

Office Location: Mendoza College of Business room 398

Office Hours: Tuesdays, 2-3pm in my office, and by appt. (*Please, just ask ... helping you succeed is part of my job!*)

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II. Required Course Materials

Textbook & MyBusinessCourse (MBC): Financial Statement Analysis & Valuation 6e by Easton, McAnally, and Sommers, Cambridge Business Publishers, 2021. Purchase or rent the textbook and MBC access at this link: <https://mybusinesscourse.com/?code=1060-3002-0129>. Our Section ID is 1060-3002-0129.

We will also use **Canvas** to access course materials.

Calculators should be brought to class and to exams. Cellphones, iWatches, tablets, or any other means to access the Internet are not allowed for exams. Simple 4-function calculators or non-programmable scientific calculators are recommended. Programmable calculators must have their memories/programs cleared (in front of me or my TA) for exams.

Cellular Devices must be set to “off” or “silent” during class. Please do not text message during class.

Laptops will be used in some classes, and should only be used as instructed (for cases/excel work).

III. Course Goals and Objectives

In ACCT 70311, we will learn to analyze financial statements, forecast firm performance, and value companies. The methods we learn will be applied to publicly-listed companies. This class will provide a strong foundation and tools for careers in accounting and/or finance. You will find that the material we will cover is quite practical and relevant. While we will not learn accounting standards nor journal entries in class, the practices of analysis, forecasting, and valuation will give you a better understanding of financial reporting.

Upon the completion of ACCT 70311, I expect you to understand:

- How to analyze a company’s performance, taking into account the company’s position within its industry
- How to forecast financial statements
- How to value companies using accounting-based information

In the process of learning to analyze and value companies using financial statements, you will:

- Improve oral and written communication skills through class participation and assignments that require oral and written presentation
- Improve group interaction and team-building skills by completing the assigned team projects
- Enhance critical-thinking skills by actively participating in team and classroom activities
- Apply major concepts, ideas, and tools to problem solving situations

IV. Grading

Your grades will be determined based on the total points earned for the following items:

Participation	10
Minor Team Project (in-class) – Earnings Report	5
Major Team Project:	
Part One: Preliminary Presentation	10
Part Two: Project Write-up and Presentation	25
Peer Evaluation of Another Team Project	5
Exam 1	20
Exam 2	<u>25</u>
Total:	<u>100</u>

Note that the Mendoza College of Business requires that each instructor's combined sections have an average GPA of 3.3 to 3.6. Final grades will be set to achieve this required GPA.

V. Course Organization & Administration

Preparation: Reference readings are available for you to learn or refresh your understanding of materials covered during a given module. I recommend that you complete the assigned problems for each module by the time we finish the module. *Most* of the problems can be completed through MyBusinessCourse. Case materials should be read in advance of class, and usually will be covered at the end of a module.

Attendance/tardiness/other disruptions: I expect you to attend every class, and to arrive *on time*. Please be considerate of your classmates and leave the room only in the rare event of a personal emergency. Unexcused absences and/or tardiness will be taken into account when I allocate participation points.

Learning environment: The University of Notre Dame is committed to social justice. I share that commitment and strive to maintain a positive learning environment based on open communication, mutual respect, and non-discrimination. In this class, we will not discriminate on the basis of race, gender, age, economic class, disability, veteran status, religion, sexual orientation, color, or national origin. Any suggestions as to how to further such a positive and open environment will be appreciated and given serious consideration.

Participation: A primary objective of this course is to help students become comfortable navigating companies' financial statements, analysis, forecasts, and valuations, which should increase the student's comfort discussing their views in the presence of peers. Readings, problems, and cases will be a basis for class discussion. Your participation grade is based on your attendance and contribution to in-class discussions. Students who receive high participation grades are well-prepared, make frequent, *meaningful* comments, demonstrate logical thinking, are considerate of other students, and do not monopolize class time. Some of the best participation is by students who were 'wrong' but explained their position.

Team project: Teams of students will be organized by the instructor early in the semester. The team assignment will be distributed in class. Each team is to work independently of all other course teams.

Note: Occasionally, one or more individuals on a team try to “free-ride” by avoiding team meetings and not contributing fairly. If this should happen, notify me and I will try to encourage the individual or individuals to increase effort. If dissatisfaction continues, I will allow the team to “fire” the individual from the team by the unanimous request of the other members (this must be in writing) and with my approval. That individual will then work alone on the team project.

Peer Evaluation for team project: You are required to complete a peer evaluation for the team project. I may change an individual student’s grade for the project based on these evaluations and discussion with the student.

Late Work: Work submitted to the instructor after the day and time indicated by the instructor without official Notre Dame Approval will be assigned a penalty by the instructor.

Exams: Work completed after the exam’s conclusion will be assessed a 20% penalty.

If you are going to miss an exam, you need to contact me in writing in advance of the exam. Do not assume that contacting me by email or leaving a phone message constitutes proper notification; to be clear, it does NOT. Students must sufficiently document an official Notre Dame Approval in order to take an exam at an alternative time for full credit. If a student misses an exam, with the aforementioned approval, arrangements will be made for a make-up at the instructor’s convenience. If a student arrives late to an exam and is unable to finish by the exam’s conclusion time, at the discretion of your instructor, the student may be allowed additional time. If a student misses an entire exam without the aforementioned approval, at your instructor’s discretion, you MAY be given the opportunity to take an alternate exam at a later time, although there is NO GUARANTEE, other than it will be more difficult than the original. Further, there will be an automatic penalty of 20% of total exam points. Students failing to take an exam will receive a failing grade for the semester.

VI. The Academic Code of Honor:

“As a member of the Notre Dame community, I acknowledge that it is my responsibility to learn and abide by principles of intellectual honesty and academic integrity, and therefore I will not participate in or tolerate academic dishonesty.”

Expectations with regard to Academic Integrity follow:

Students will not give or receive aid on **exams**. This includes, but is not limited to, viewing the exams of others, sharing answers with others, using books or notes while taking the exam, and use of cell phones or programmable calculators in unauthorized usage. It also includes discussing the exam in order to help those who are taking it later.

For **team assignments**, teams must work **completely independently** of other individuals, or teams. Each member of a team has an obligation to ensure that the workload is shared by all members for each assignment. Students are expected to avoid **plagiarism, including the use of material from previous semesters**.

The honor code requires that a student, with knowledge of the above violations, report such occurrences. If a perceived honor code violation occurs, the procedures outlined in the Student Guide to the Academic Codes of Honor, <https://honorcode.nd.edu/>, will be followed.

Each textbook module will be covered during 1 or 2 class sessions. I will follow “DATES AND TOPICS” as closely as possible, subject to any changes which I deem necessary. “REFERENCE READINGS” lists material from the textbook module being covered. “PROBLEMS AND CASES” include both textbook practice problems that I recommend you complete by the time we finish the module in order to maximize your learning experience (including items in **red and bolded** that will likely be covered in class) and cases that will be covered in class, usually near the end of a module.

DATES AND TOPICS	REFERENCE READINGS	PROBLEMS AND CASES
<u>Tues 1/11 & Thurs 1/13</u> Introduction Framework for Analysis and Valuation (Module 1) Review of Business Activities and Financial Statements (2)	1: pp. 1-36 2: pp. 1-36	Please complete the <i>ACCT 70311 Student Survey</i> (on Canvas). 1: 22, 31, 32, 49 2: 43, 49, 50 <i>Which company is this?</i> <i>Interpreting Margin and Turnover Ratios</i>
<u>Tues 1/18 & Thurs 1/20</u> Profitability Analysis & Interpretation (3)	3: pp. 1-39	3: 20, 21, 34, 36, 47 , 51 <i>Disney</i> (excel and word files)
<u>Tues 1/25 & Thurs 1/27</u> Credit Risk Analysis & Interpretation (4)	4: pp. 1-35	4: 18 , 19, 22, 21 , 28, 31, 40 <i>GM v Tesla</i> (excel and word files)
<u>Tues 2/1 & Thurs 2/3</u> Revenue Recognition and Operating Income (5)	5: pp. 1-39	5: 22 , 27, 32, 34 , 35, 37, 40, 46, 52, 54, 57, 60 , 62 <i>Apple v Samsung</i> (excel and word files)
<u>Tues 2/8</u> Asset Recognition and Operating Assets (6)	6: pp. 1-34	6: 15, 20, 23 , 26, 28 , 36, 41, 44 , 46 <i>Identify the firms</i>
<u>Thurs 2/10</u> Liability Recognition and Nonowner Assets (7)	7: pp. 1-31	7: 28, 34 , 38, 45, 47 <i>Target's data breach</i> (2 WSJ articles; Congressional report; 10-K; questions)
<u>Tues 2/15</u> In-class: Exam 1		
<u>Thurs 2/17</u> In-class exercise: Earnings report		<i>Stay tuned for details on how to prepare for this class</i>
<u>Tues 2/22</u> Selected topics from: Equity Recognition and Owner Financing (8) Intercorporate Investments (9) Analyzing Leases, Pensions, and Taxes (10)	8: pp. 1-31 9: pp. 1-39 10: pp. 1-39	8: 20, 22, 31 , 33, 57, 59 9: 50 10: 34, 39

DATES AND TOPICS	REFERENCE READINGS	PROBLEMS AND CASES
SPRING BREAK		
<u>Tues 3/15 & Thurs 3/17 & Tues 3/22 & Thurs 3/24</u> Financial Statement Forecasting (11)	11: pp. 1-31	11: 18, 29 , 30, 34 <i>Pro forma financial statement exercise</i> (excel and word files) <i>Apple</i> (excel) <i>Disney</i> (excel) <i>Starbucks</i> (excel)
<u>Tues 3/29</u> Cost of Capital and Valuation Basics (12)	12: pp. 1-28	12: 23, 25, 39, 42 , 46, 47
<u>Thurs 3/31 & Tues 4/5 & Thurs 4/7</u> Cash-Flow-Based Valuation (13) Operating-Income-Based Valuation (14)	13: pp. 1-14 14: pp. 1-17	13: 9, 15, 17 14: 12, 23, 24 , 25, 27, 29 <i>Apple</i> (excel) <i>Disney</i> (excel) <i>Starbucks</i> (excel)
<u>Tues 4/12</u> In-class: Exam 2		
<u>Thurs 4/14</u> Market-Based Valuation (15)	15: pp. 1-23	15: 12, 13, 14, 15, 28 , 41, 43
<u>Tues 4/19 & Thurs 4/24 & Tues 4/26</u> Presentations and Peer Review Wrap-Up & Final Words		

To the extent possible, the instructor will follow the daily class schedule of assignments. The schedule may be altered (e.g., change timing, etc.) in order to enhance student learning opportunity or for other reasons. As we continue to work during a global pandemic, I want to acknowledge that we are all navigating unique challenges both individually and communally. I have intentionally designed this course to support both your intellectual growth and your mental health. Our course plans can be adjusted if doing so best supports us as a learning community. *If at any point you need additional academic or emotional support, please don't hesitate to get in touch with me, so I can connect you with the appropriate resources.*

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