



Financial Statement Analysis

ACCT-UB 3-003 – Spring 2018

Kaufman Center 5-90 – Tue / Thu 9:30 – 10:45 am

Instructor

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COURSE OBJECTIVE

The objective of this course is to understand how to read, interpret, and analyze financial statements. Throughout the course, we will:

- Study the interrelationships between financial statement line items
- Use ratio analysis to understand and compare firms
- Understand accounting disclosures
- Use accounting disclosures to adjust financial statements
- Forecast future earnings using accounting disclosures
- Value a firm using forecasts

PREREQUISITES

The course assumes you have a solid grasp of general accounting concepts and principle

TEACHING PHILOSOPHY

I believe that you learn more by doing your own research and your own reasoning than you learn by hearing someone else's narrative (e.g. I get to my destination faster when I develop my own Google map rather than when I ask for directions; even though occasionally my Google map fails and I end up asking for directions anyway). Therefore, class time will be devoted to reinforcing and clarifying material that students have made a conscientious effort to learn on their own.

COURSE MATERIALS

- The required textbook for the course is "Financial Statement Analysis & Valuation," by Easton, McAnally, Sommers, and Zhang. The book is currently in its fifth edition. You will not need to bring the book to class, but my lectures will assume you have read the assigned material. You will also need the textbook to complete the optional practice problems, which you will find helpful in preparing for exams.
- You will need access to Microsoft Excel.

- You will find a financial calculator very helpful in the second half of the course. If you plan to go into accounting or finance, this is a worthwhile investment.

NYU CLASSES SOFTWARE

This course makes extensive use of the NYU Classes software platform for communications, discussion and grading. Students should consult the course's NYU Classes page, especially the Announcements, frequently. Important course information such as updates to the syllabus or changes to the course schedule will be communicated via NYU Classes announcements.

COURSE QUESTIONS AND COMMUNICATION

General course questions should be posted to NYU Classes' Class Questions Topic, under the Forums tab. By doing so, the entire class can see questions posted by students and their answers. Please make sure your question has not already been asked in the forum before posting it. Only questions of a private nature or those that would give away pending homework responses should be emailed directly to the instructor.

PREPARING FOR CLASS

We have considerable amount of material to cover in the course, in a relatively short period of time. Furthermore, the material covered is very much inter-related so that if you do not understand a particular topic, it will be difficult to understand the next topic. It is your responsibility to understand the course's syllabus and follow the course schedule. A current version of this schedule is provided below. This version will almost certainly be updated through the semester. Whenever an update occurs, this will be communicated by email (to your Stern email account only) and/or an NYU Classes announcement. It is your responsibility to check your Stern email and the NYU Classes announcements frequently. To ensure you keep up with the course, you are required to read the material covered in each class, as listed in the course schedule, before coming to class. You must also complete homework assignments (see below) on time.

HOMEWORK ASSIGNMENTS

After we have concluded each class topic, a homework assignment will be posted on Connect (there will be no homework for the last modules before an exam). These assignments will give you an opportunity to show me, and yourself, that you have understood and learned the material. As no make-ups will be granted, only your eight highest grades from the 10 homework assignments will be counted towards your course grade.

ADDITIONAL PRACTICE MATERIAL

In addition to the assigned homework, in NYU Classes, there will be posted additional recommended practice problems. These problems will be optional; however, you should strive to complete them on paper to ensure sufficient reinforcement of the material. It is recommended you complete each set of practice problems before we finish discussing the module they pertain to, so that you may clarify any doubts in a timely manner. Solving problems on paper is very important and will help prepare you for the midterm and final exams (which are on paper!).

LATE ASSIGNMENTS

To assist students in understanding the material in a timely manner, solutions to homework assignments will be available promptly after their due date. Providing timely assignment solutions prevents the possibility of accepting late assignments. As late assignments will not be accepted, only your eight highest homework grades will be counted. This gives you the choice of not submitting up to two homework assignments. If more are submitted, only the highest scored eight will count towards your grade.

EXAMS

There will be a midterm exams and a final exam. The midterm exam and the final exam will be closed book but you are allowed to bring to the exams one double sided 8 ½" x 11" page of your own notes (cheat sheet). You are required to bring a calculator. Laptops, cell phones and other hand-held devices with internet access and/or save capabilities are not permitted during the midterm or the final exam; this includes any calculator with the ability to save text, including some graphing calculators used in other courses at NYU.

CLASS PROFESSIONALISM

You are expected to treat this course as you would treat a good job that you want to keep. In an important meeting you would not be disruptive but rather try to be attentive and collaborative, the same applies to our classes. Among your class professionalism duties are: attend class; arrive on time and stay until the end of the class; contribute with questions and/or comments when appropriate; avoid disrupting the class by talking to others; refrain from connecting to the internet or texting by turning off all electronic devices except for note taking devices.

ATTENDANCE

While attendance is an important part of the course, it is not recorded. However, past semesters have shown a strong correlation between class attendance and overall course performance. The material we cover in class supplements the material in the book. Therefore, reading the book is a complement (not a substitute) for attending class. I understand that over the course of 28 sessions, personal and religious conflicts come up and you may need to miss a class. If you miss class for any reason, you should watch its video recording on NYU Classes so that you may the opportunity to make up the material which you missed on your own.

GRADING

Your final course grade will be a weighted average, as follows:

- 30% Homework assignments
- 30% Midterm Exam
- 40% Final exam

Letter grades will be assigned as follows (number in parenthesis is minimum score required for grade): A(93), A-(90), B+(87), B(83), B-(80), C+(77), C(73), C-(70), D+(67), D(60), F(0)

RE-GRADING

In line with the Grading Guidelines for the NYU Stern Undergraduate College, the process of assigning grades is intended to be one of unbiased evaluation. I encourage you to respect the integrity and authority of the grading system and discourage you from pursuing

arbitrary challenges to it. If you feel that an inadvertent error has been made in grading your test paper or in assessing an overall course grade, you may submit a request to have the grade reevaluated. Please submit such requests in writing to your instructor within seven days of receiving the grade, including a brief statement of why you believe that an error in the grading has been made. Upon receipt of your written description, I will review the entire exam for grading accuracy; therefore your grade may go up or down as a result of the re-grade request.

ACADEMIC HONESTY

Plagiarism is the act of representing somebody else's work as one's own. This is a type of fraud or deception similar to the way some company executives have misrepresented the health and soundness of their firms. The Stern School does not tolerate this sort of behavior. You are expected to adhere to the Stern Code of Conduct which you can find at: <http://www.stern.nyu.edu/uc/codeofconduct>. Important student responsibilities include, but are not limited to, the following: 1) A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced. 2) A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

DISABILITY ACCESS

If you are a student with a disability and you feel you need accommodations, you must register with the Moses Center for Students with Disabilities. They are located at 726 Broadway, 2nd floor, and can be reached at 212-998-4980 or mosescsd@nyu.edu.

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COURSE SCHEDULE

| Day | Date | In-Class Activity | Due Before Class |
|------------|---------------|--------------------------|--|
| Tue | 23-Jan | Introduction | |
| Thu | 25-Jan | Discuss Mod. 1* | Purchase textbook / Read Mod. 1 |
| Tue | 30-Jan | Discuss Mod. 1* | |
| Thu | 1-Feb | Discuss Mod. 2 | Read Mod. 2 |
| Tue | 6-Feb | Discuss Mod. 2 | Complete Mod. 1 homework |
| Thu | 8-Feb | Discuss Mod. 3 | Read Mod. 3 |
| Tue | 13-Feb | Discuss Mod. 3 | Complete Mod. 2 homework |
| Thu | 15-Feb | Discuss Mod. 4 | Read Mod. 4 |
| Tue | 20-Feb | Discuss Mod. 4 | Complete Mod. 3 homework |
| Thu | 22-Feb | Discuss Mod. 5 | Read Mod. 5 |
| Tue | 27-Feb | Discuss Mod. 5 | Complete Mod. 4 homework |
| Thu | 1-Mar | Discuss Mod. 6 | Read Mod. 6 |
| Tue | 6-Mar | Discuss Mod. 6 | Complete Mod. 5 homework |
| Thu | 8-Mar | Midterm Review | Bring questions to class. |
| Tue | 13-Mar | SPRING BREAK | |
| Thu | 15-Mar | SPRING BREAK | |
| Tue | 20-Mar | MIDTERM EXAM | Study for midterm exam (Mod.1 through 6) |
| Thu | 22-Mar | Discuss Mod. 10 | Read Mod. 10. |
| Tue | 27-Mar | Discuss Mod. 10 | |
| Thu | 29-Mar | Discuss Mod. 11 | Read Mod. 11 |
| Tue | 3-Apr | Discuss Mod. 11 | Complete Mod. 10 homework |
| Thu | 5-Apr | Discuss Mod. 12 | Read Mod. 12 |
| Tue | 10-Apr | Discuss Mod. 12 | Complete Mod. 11 homework |
| Thu | 12-Apr | Discuss Mod. 13 | Read Mod. 13 |
| Tue | 17-Apr | Discuss Mod.13 | Complete Mod. 12 homework |
| Thu | 19-Apr | Discuss Mod. 14 | Read Mod. 14 |
| Tue | 24-Apr | Discuss Mod. 14 | Complete Mod. 13 homework |
| Thu | 26-Apr | Discuss Mod. 15 | Read Mod. 15 |
| Tue | 1-May | Discuss Mod. 15 | Complete Mod. 14 homework |
| Tue | 3-May | Catch up / Review | Bring questions to class. |
| TBA | TBA | Final Exam | Final exam date and time to be posted as available |

* Chapter Appendixes: Only appendixes 1A and 2A will be covered.

This schedule is subject to change. Changes will be announced on NYU Classes.