

Class Time & Location:	14105R Monday, Wednesday	2:00 – 3:50 p.m.	BRI 5
	14106R Monday, Wednesday	Noon – 1:50 p.m.	BRI 5

Instructor: Nancy W. Goble, MAS, CPA, CGMA
Office: ACC 214
Office Hours: Monday 4:00 – 5:00 p.m.
Wednesday 10:30 – 11:30 a.m.
Other hours by appointment
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Welcome:

I look forward to meeting each of you during our first class and getting to know you during this eight week course. My goals for this course are to have every student gain an understanding of basic valuation techniques as well as enhance his/her knowledge of financial statement analysis and content. I want everyone to succeed in this class.

Course Objective:

This course examines the role of financial statement analysis in the prediction of a firm's future financial performance. This course is designed to provide:

1. Skills to analyze and forecast financial statements;
2. Exposure to public sources of financial information used in the capital markets; and
3. An appreciation for the usefulness and limitations of financial statement analysis and firm valuation in specific decision contexts.

To achieve these objectives, the course will focus on the fundamentals of:

1. Understanding the content in SEC filings;
2. Financial statement analysis;
3. Forecasting; and
4. Valuation techniques.

Each student should be able to achieve these objectives with careful reading of the textbook, attention to the lecture content, completion of assignments and in-class exercises, and active participation in class discussions.

Prerequisite Skill Sets:

To perform well in this class, you need to possess an understanding of the financial reporting process and the content of financial statements that includes the materials covered in ACCT 370, ACCT 370B or ACCT 415. In particular, this course places an emphasis on knowing how items flow, or articulate, through financial statements. For example, capital expenditures increase the net balance in long-lived assets and depreciation decreases this same net balance. Retained earnings is increased by net income and reduced by dividends declared.

Much of the forecasting and valuation work in this class is completed using Excel. While we will spend some class time in a computer lab, prior to the start of the semester you should be comfortable using the following Excel functions:

1. Absolute and relative cell references;
2. Cell references to the content of specific cells in other worksheets within a spreadsheet file;
3. Present value formulas;
4. "If" statement formulas; and
5. Setting a print range for a spreadsheet so that it can be printed for review.

Suggested Approach to Maximize Learning:

There is a lot of material covered in this course. While each student has their own style of learning, reading the materials listed in the syllabus *before* each class meeting is expected and will maximize the benefit of the time spent in class. Topics will initially be presented in a lecture format and a significant portion of each class will be devoted to discussion and group exercises. Participation by all students is expected and will enhance your knowledge of these topics. Please come to class with questions, especially if any of the material is unclear to you. Participation is not just responding to questions posed, it includes asking questions as well.

The topic of valuation is frequently discussed in financial publications, such as the Wall Street Journal. From time to time, you will be asked to read an article that illustrates some of the topics covered in this course. An announcement will be posted prior to class indicating an article (or link to an article) has been posted on Blackboard. To augment the in-class experience, students should read these articles prior to class and come prepared to discuss the questions posted on Blackboard to guide your reading.

Required Course Materials:

1. **Textbook:** *Financial Reporting, Financial Statement Analysis, and Valuation, 8th Edition.* Wahlen, Baginski, Bradshaw. ISBN 978-1-285-19090-7. Since we will only be using seven chapters from this textbook, it has not been ordered through the bookstore. The most cost-effective option to obtain the chapters we will be using is purchase online access to the electronic version of these specific chapters. However, students do have choices, which include renting the textbook or buying the textbook from the publisher. Students can obtain the textbook in each of these ways by going to www.cengagebrain.com and entering the ISBN for this textbook:
 - a. **Buy the online version of the chapters we will be using (Chapters 1, 4, 5, 10, 11, 12 and 13).** Each chapter costs \$17.99, with no charge for Chapter 1. This brings the total cost to \$107.94 for all seven chapters.
 - b. **Rent the textbook.** The cost to rent the book for 16 weeks is \$73.49. Be aware, however, that additional charges will be incurred for any damage to the book or if the book is not returned on time at the end of the rental period.
 - c. **Buy the textbook.** The cost to buy the book from the publisher's Web site is \$368.95.

Note: There are significant changes from the 7th to 8th edition of this textbook. Students should not try to use the 7th edition.

Course Materials to be Provided during the Semester:

1. **Lecture Notes:** These will be available in Blackboard in a separate folder. Lecture notes will be posted 2 – 3 days before the material is covered in class.
2. **2014 Form 10-K for Kellogg Co.:** We will use this SEC filing to demonstrate many of the topics discussed in class. A PDF version will also be posted in Blackboard.
3. **Readings:** These will also be available in a separate folder in Blackboard. This folder will contain the assigned readings, along with questions to guide your reading. Articles, or links to articles, will be placed in this folder following an announcement posted on Blackboard.

Assignments and Grading:

Your grade for the class will be earned based on the following:

Assignments (Five total, 5% to 7% each)	30 %
Quizzes (2)	20
Team Project	40
Class participation, attendance and professionalism	<u>10</u>
Total	<u>100 %</u>

Consistent with the Marshall course grading policy, the target mean grade for elective courses is 3.3. As a result, your final grade will be based on your percentage of total available points earned on each assignment/aspect of the class, the overall average percentage score within the class, and your ranking among all students in the class.

There will not be opportunities for extra credit in this course.

Assignments:

The due date for each of the five assignments is indicated in the Course Schedule included at the end of this syllabus. These assignments will each focus on a topic covered in a chapter (or a portion of a chapter) in the textbook and will give you practice towards completing the final project for the class. Each assignment will be posted in Blackboard one week before the due date and will generally be completed using the financial statements and other information included in the 2014 Form 10-K for the Kellogg Company. Each assignment will indicate whether it is to be submitted using Blackboard (which will be due prior to the beginning of the class on the due date indicated) or if the assignment is to be submitted in hard copy (to be handed in at the beginning of class on the due date indicated). Since we will be discussing each of these assignments in class, you should bring a copy of the assignment to class or have one available to you on a laptop.

All assignments are to include the student's name and, if submitted on Blackboard, be "print ready." I will print off all assignments submitted on Blackboard and grade the printed copy, which will be returned to you. Therefore, it is imperative that you set print ranges, etc. to facilitate the printing of your assignment for grading. The assignment should print in a fashion that can be easily reviewed – no print so small it requires a magnifying glass to read (☺), page breaks in appropriate places, etc. If the assignment is completed using Word, the font cannot be smaller than 11 pt and the document must be double-spaced.

Very occasionally, there are issues with Blackboard. If you find that you cannot submit an assignment on Blackboard, send the assignment to me via email as a file attachment. The email must be sent before the beginning of class on the due date.

Late assignments will not be accepted.

Quizzes:

There will be two half-hour quizzes. They will be at the beginning of class on the dates indicated in the syllabus. Each quiz will focus on different aspects of the class material covered through Chapter 5 of the textbook. The specific material to be covered in each quiz will be discussed in more detail prior to the date of each quiz.

Calculator apps on Smartphones may not be used during a quiz. Only “freestanding” calculators may be used.

Team Project:

This project will bring together the various elements of financial statement analysis, forecasting and valuation covered in the course. There will be 4 – 6 students per team and it is currently anticipated that there will be five to six companies to choose from to complete the project. No more than two teams from the same section may choose the same company. Each team is expected to work independently, even if two different teams have selected the same company. The grade for the project will consist of three elements:

Written analysis	70% of project grade
Team presentation	15
Individual contribution, as rated by other team members	<u>15</u>
	100%

The requirements for this project and the grading rubrics will be posted in Blackboard prior to the class meeting on February 10, 2016.

Class Attendance, Participation and Professionalism:

Class attendance and participation are crucial to your learning. If you will be absent from class, please send me an email prior to the start of class, indicating your absence -- just like you would notify your boss if you were going to miss work. You do not need to provide a reason. Lack of notification will negatively impact the portion of your grade determined by professionalism. Since we only have 14 class sessions, more than one absence will generally impact your score as it relates to attendance.

Participation by all students in class discussions and in-class group exercises is expected and will enhance your knowledge of the course content. Come to class with questions, especially if any of the material is unclear to you. Participation is not just responding to questions posed, it includes asking questions as well.

As a courtesy to everyone, during class please turn off mobile phones and use computers only to access materials relevant to this class. Use of technology for other reasons during class, including texting, shopping, checking on material related to other classes, playing games, etc., will negatively impact your points for professionalism.

Re-Grading:

Any requests for re-grading must be submitted in writing or through email. Requests will be accepted up to one week after the quiz/assignment was returned and should clearly state why you think more points should have been earned on that portion of the quiz/assignment.

Prerequisites:

1 from BUAD 215 or BUAD 306 and 1 from ACCT 370 or ACCT 370B or ACCT 415

Withdrawal Policy:

As noted in the following Course Schedule, the last date to withdraw from class without a “W” is January 19, 2016 and the last date to withdraw and receive a “W” is February 16, 2016. **Please note the above dates. Lack of awareness of these dates is not sufficient reason to grant an exception to this policy.**

Academic Integrity:

Students enrolled in any class offered by the Leventhal School of Accounting are expected to uphold and adhere to the standards of academic integrity established by the Leventhal School of Accounting Student Honor Code. All work you submit and the results of any exam must reflect your own work. Plagiarism in any form will not be tolerated. Students are responsible for obtaining, reading, and understanding the Honor Code System handbook. Students who are found to have violated the Code will be subject to disciplinary action as described in the handbook. For more specific information, please refer to the Student Honor Code System handbook, available in class or from the receptionist in ACC 101.

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

Any student found to be in violation of the Accounting Student Honor Code will receive a score of zero for the applicable assignment/exam. There will not be an opportunity to submit other work to replace these lost points.

Conduct:

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men*

<http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems:

A number of USC's schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students.

The Office of Disability Services and Programs

http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations.

Emergency Preparedness/Course Continuity in a Crisis:

If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu/> will provide safety and other updates, including ways in which instruction will be continued by means of Blackboard, teleconferencing, and other technology.

Course Schedule:

Date	Chapter/Topic	Reading (See Note below)	Student Deliverables & Quiz Dates
January 11	<ul style="list-style-type: none"> • Introduction to Course • Review of Syllabus • Chapter 1 – Overview of Financial Reporting, Financial Statement Analysis and Valuation 	<p>Text: Pg. 1-17, 30-41 and 55-57 (Students should also review pages 18 -29 as a refresher on financial reporting.)</p>	

Date	Chapter/Topic	Reading (See Note below)	Student Deliverables & Quiz Dates
January 13	<ul style="list-style-type: none"> Introduction to Kellogg Co. Accounting Analysis <p>Financial Reporting Review:</p> <ul style="list-style-type: none"> Noncontrolling Interests Non-GAAP Earnings 	<p>Form 10-K: Pg. 2-4, 6 (Risk Factors) - 13, 30 (Critical Accounting Estimates)-34, <i>Notes to Consolidated Financial Statements: Note 1</i></p> <p>Form 10-K: Pg. 16 - Selected Financial Data and Pg. 18 - Reconciliation of Certain Non-GAAP Financial Measures (focus on notes at bottom)</p> <p>Earnings Release Dated October 30, 2014</p>	
January 19	Last Day to Drop Without A "W"		
January 20	Chapter 4 – Profitability Analysis	Text: Ch. 1, pg. 42 – 54; Ch. 4, pg. 241 – 243, 247 – 268, 284 - 289	Assignment 1
January 25	<ul style="list-style-type: none"> Chapter 5 – Risk Analysis <p>Financial Reporting Review:</p> <ul style="list-style-type: none"> Stock-Based Compensation Share Repurchases 	<p>Text: Pg. 353 - 365</p> <p>Form 10-K: Note 7</p> <p>Form 10-K: Note 4</p>	
January 27	<ul style="list-style-type: none"> Chapter 10 – Forecasting Financial Statements (<i>Overview, Income Statement, and Operating Assets and Liabilities</i>) 	Text: Pg. 761 – 771, 778 – 782, 782 - 797	Assignment 2

Date	Chapter/Topic	Reading (See Note below)	Student Deliverables & Quiz Dates
February 1	<ul style="list-style-type: none"> Chapter 10 – Forecasting Financial Statements <i>(Remainder of Balance Sheet and Cash Flows)</i> Computer Lab to Work on Forecasts 	Text: Pg. 802 – 806, 809, 811-822 and 824 - 827	Assignment 3
February 3	<ul style="list-style-type: none"> Computer Lab to Work on Forecasts Review of Time Value of Money Chapter 11 – Risk Adjusted Expected Rates of Return and the Dividends Valuation Approach <i>(Begin)</i> 	Form 10-K: Notes 4, 6, 11 Text: Pg. 859 – 877	
February 8	<ul style="list-style-type: none"> Chapter 11 – Risk Adjusted Expected Rates of Return and the Dividends Valuation Approach <i>(Conclude)</i> 	Text: Pg. 877 – 881 (stop at Quick Check), 882 – 885, 891 – 895 (Stop at Exhibit 11.7)	Assignment 4
February 10	<ul style="list-style-type: none"> Chapter 12 – Valuation: Cash-Flow-Based Approaches <i>(We will only be studying Free Cash Flows for Common Equity Shareholders)</i> Project Groups Meet to Discuss Company Selection for Final Project Guest Speaker on Data Bases 	Text: Pg. 905-908, 914 – 915, 920, 922-924, 927-928, Exhibits 12.6 and 12.7	Quiz 1
February 16	Last Day to Drop With a “W”		

Date	Chapter/Topic	Reading (See Note below)	Student Deliverables & Quiz Dates
February 17	<ul style="list-style-type: none"> Chapter 13 – Valuation: Earnings-Based Approach Discuss Final Project and Address Student Questions 	Text: Pg. 967-976, 983 – 987	
February 22	<ul style="list-style-type: none"> Discuss Conclusions from Assignment 5 Discuss Final Project and Address Student Questions In-Class Valuation Exercise (Earnings-Based Approach) 		Assignment 5
February 24	<ul style="list-style-type: none"> In-Class Valuation Exercise (Cash Flow Approach) Discuss Final Project and Address Student Questions Potential Guest Speaker 		Quiz 2
February 29	<ul style="list-style-type: none"> In-Class Valuation Exercises (Impact of Discount Rate Selection and Impairment) Discuss Final Project and Address Student Questions 		
March 2	Course Wrap-Up		<ul style="list-style-type: none"> Group Projects Due Group Presentations

Note: All page number references for Form 10-K are for the printed page numbers at the bottom of each page of the Form 10-K. These are not the same as the electronic page numbers assigned in the PDF file.