

USC Marshall

School of Business

ACCT 581

Financial Statement Analysis

Fall, 2021

Meets Thursday 6:30pm-9:30pm in JKP 102

Professor Richard Sloan

Office: Leventhal 125

Office Hours: 3.45pm to 5pm on Mondays and Wednesdays

Zoom Link: (see Blackboard)

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Phone: 213-740-9318

COURSE DESCRIPTION

This course (i) provides you with a framework for business analysis and valuation using financial statement data; and (ii) shows you how to apply this framework to a variety of business decisions. The course integrates key elements from accounting, finance, economics and business strategy and applies them to financial decision-making. The course assumes a basic knowledge of topics covered in introductory accounting and finance classes.

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to:

1. Analyze a business and make sound financial decisions as stakeholders in the business (investor, creditor, officer etc.).
2. Assess how well the accounting methods used by a business reflect its underlying economic performance and quantify any major accounting distortions.
3. Use the information available in the financial statements to conduct a comprehensive ratio analysis of a business and evaluate its financial health.
4. Provide a plausible and internally consistent set of financial statement forecasts for a business through an appropriate forecast horizon and critically evaluate the forecasting models of others.
5. Estimate a plausible valuation for a business and critically evaluate the valuation estimates provided by others.

COURSE MATERIALS

The textbook for the course is:

Russell Lundholm and Richard Sloan, **Equity Valuation and Analysis**, Fifth Edition, Independently Published (July 11, 2019).

ISBNs: Paperback: 978-1079983357; Digital: 978-1733498005

Paperback available at: <https://www.amazon.com/dp/107998335X>

Digital available at: <https://www.redshelf.com/search/?terms=9781733498005>

The book is used in conjunction with materials that are freely available on the associated website: <http://www.lundholmandsloan.com>. This website provides links to software, cases, quizzes, videos and other materials related to the course. I will also place all cases and presentation materials on the course's Blackboard site. If you have any questions or need assistance with the Blackboard Course Pages, please contact the Marshall HelpDesk at 213-740-3000 (option 2) or HelpDesk@marshall.usc.edu. Alternatively, (213) 740-5555 will get you the USC ITS Help Desk.

We will also use the FactSet integrated data and financial software during the course. I will request access for all enrolled students at the beginning of the course and you should receive an email from FactSet with login instructions. If you join the course late or don't receive the email, you can request an account here: https://advantage.factset.com/academic_idrequest.

GRADING

Your grade for the course will be determined as follows:

	Points	Percent
5 Case Write-Ups	25	25%
Exam	45	45%
Final Project	20	20%
Class participation:	10	10%
<u>Total</u>	<u>100</u>	<u>100%</u>

The case write-ups can be done teams of up to 5 people. Each team must turn in five of the cases from the course outline marked with an asterisk (*), with one case selected from each of PART III through PART VII of the course outline. Each of the five cases will carry a weight of 5% toward your course grade. Case write-ups should be no longer than three typed pages, with no more than four supporting pages of tables or calculations. Students select their own teams and cases and we will organize team membership and case selection during our first meeting. Case write-ups should be turned in online via Blackboard before the start of class on their assigned date in a single document (preferably a letter-sized pdf).

The exam is open book and involves answering written questions on a company's financial statements. I will distribute the company's financial statements a week ahead of the exam.

The final project is a comprehensive analysis and valuation of a company. This is a team project and you will use the same teams as you did for the cases. I will provide you with a list of companies to choose from and a template for this project in session 17. You will make preliminary presentations and receive feedback on your project during our final two sessions and the final project will be due during the final exam period.

Class participation is based on the quantity and quality of your contributions to classroom discussions. It is not anticipated that you should participate in every session, but you should aim to participate in at least 50% of our sessions. Most classroom discussions will center around the assigned cases that should be prepared in advance of their assigned class.

In order to inform the grading process, I will collect a peer evaluation form for group work. A copy of the form is provided at the end of this syllabus.

CLASSROOM POLICIES- FALL 2021

1. Active class participation is important in achieving the learning objectives for this course. Unless students provide an accommodation letter from USC OSAS or from Marshall detailing visa or travel restrictions, attendance and active participation is expected in the classroom.
2. Any student with such accommodations should submit their accommodation document to their instructor as soon as possible. Your instructor will then provide regular access to a recording of the class and an opportunity to regularly make up missed in-class participation.
3. Students who are experiencing illness should not attend class in person. Please inform the instructor in advance of the class session to discuss what accommodations will be made to allow for the make-up of missed class work and missed in-class participation. Students will not be penalized for not attending class in person under these circumstances.

TECHNOLOGY REQUIREMENTS (ONLINE INSTRUCTION)

Online lectures through Zoom will be provided in Blackboard. Therefore, you must have access to the Internet to view/hear lectures. No special software is required.

To participate in learning activities and complete assignments, you will need:

- Access to a working computer that has a current operating system with updates installed, plus speakers or headphones to hear lecture presentations;
- Reliable Internet access and a USC email account;
- A current Internet browser that is compatible with Blackboard (Google Chrome is the recommended browser for Blackboard);
- A working video camera and microphone for use on Zoom;
- Microsoft Word as your word processing program; and

- Reliable data storage for your work, such as a USB drive or Office365 OneDrive cloud storage.

If your computer does not have Microsoft Word, the Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

CLASS ETIQUETTE

In order to maintain a class environment that is conducive to learning, I suggest the following code of class etiquette:

1. Arrive at class on time and avoid leaving early.
2. Bring a name tent to each class and try to sit in the same location.
3. Turn off cellphones and other audible electronics.
4. Do not use laptops or phones in class except when instructed to do so.
5. Show respect for one another by exhibiting patience and courtesy in exchanges. Using appropriate language and restraining from verbal attacks upon those whose perspectives differ from your own is a minimum requirement. Courtesy and respect are the norm for class participation.
6. If you feel that another class member is negatively impacting the classroom environment, let me know, and where appropriate, I will anonymously communicate your feedback.

COURSE OUTLINE AND ASSIGNMENTS

PART I: INTRODUCTION

Session 1: Thursday, August 26 (1)

Course Introduction and Overview

Reading: Lundholm and Sloan (LS) Chapter 1

PART II: BUSINESS STRATEGY ANALYSIS

Session 2: Thursday, August 26 (2)

Business Strategy Analysis

Reading: LS Chapters 2 and 3

Case: Analyzing Apple: Questions 1 and 2 [[LS](#)]

PART III: ACCOUNTING ANALYSIS

Session 3: Thursday, September 2 (1)

Accounting Analysis (I)

Reading: LS Chapter 4

Case: Analyzing Apple: Questions 3-6 [[LS](#)]

Session 4: Thursday, September 2 (2)

Accounting Analysis (II)

Case: Analyzing Apple: Questions 3-6 [[LS](#)]

Session 4: Thursday, September 9 (1)

Accounting Analysis (II)

Case: EnCom Corporation: Stage 1 and Stage 2 Questions [[LS](#)]

Session 5: Thursday, September 9 (2)

Accounting Analysis (III)

Case: Apple and the iFad: Questions 1, 2, 4, 5 and 6 (*) [[LS](#)]

Session 6: Thursday, September 16 (1)

Accounting Analysis: (IV)

Case: Diagnosing Accounting Quality at eHealth (*) [[LS](#)]

PART IV: FINANCIAL ANALYSIS

Session 7: Thursday, September 16 (2)

Financial Analysis (I)

Reading: LS Chapters 5 and 6

Sessions 8: Thursday, September 23 (1)

Financial Analysis (II)

Case: Analyzing Apple: Qs. 7-12 [[LS](#)]

Session 9: Thursday, September 23 (2)

Financial Analysis (III)

Case: Interpreting Margin and Turnover Ratios [[LS](#)]

Session 10: Thursday, September 30 (1)

Financial Analysis (IV)

Case: Big Five Sporting Goods (*) [[LS](#)]

Session 11: Thursday, September 30 (2)

Financial Analysis (V)

Case: Charles Schwab and the End of Trading Commissions (*) [[LS](#)]

PART V: FORECASTING

Session 12: Thursday October 7 (1)

Forecasting (I)

Reading: LS Chapters 7 and 8

Session 12: Thursday October 7 (2)

Forecasting (II)

Case: Workshop on Forecasting for Apple

Session 14: Thursday October 14 (1)

Forecasting (III)

Case: Analyzing Apple: Question 13 (*) [[LS](#)]

PART VI: VALUATION

Session 15: Thursday October 14 (2)

Valuation (I)

Reading: LS Chapters 9 and 10

Case: EnCom Corporation - Stage 3 Questions [[LS](#)]

Session 16: Thursday October 21 (1)

Valuation (II)

Case: Analyzing Apple: Qs. 14-16 [[LS](#)]

Session 17: Thursday October 21 (2)

Valuation (III)

Case: Evaluating Intel's Earnings Torpedo (*) [[LS](#)]

Session 18: Thursday October 28 (1)

Valuation (IV)

Reading: LS Chapter 11

Case: Determinants of Valuation Ratios [[LS](#)]

Session 19: Thursday October 28 (2)

Valuation (V)

Reading: LS Chapter 12

Case: The AOL Time Warner Merger (*) [[LS](#)]

PART VII: SYNTHESIS, REVIEW AND APPLICATION

Session 20: Thursday, November 4 (1)

Comprehensive Case

Case: Is Tesla's Stock Price in Ludicrous Mode? (*) [[LS](#)]

Session 21: Thursday, November 4 (2)

Exam Review Session

Reading: Financial Statement Packet for Mid-Term Exam (handed out in Session 19)

Session 22: Thursday, November 11 (1)

EXAM

Session 23: Thursday, November 11 (2)

Analysis of Apple's 4th Quarter Results

Session 24: Thursday, November 18 (1)

Sustainability Reporting and Analysis

Reading: ESG at Apple ([Link to Apple's ESG Site](#))

Session 25: Thursday, November 18 (2)

Project Overview

(Thanksgiving Break: Thursday November 25)

Session 27: Thursday December 2 (1)

Project Presentations

Session 28: Thursday December 2 (2)

Project Presentations

Final Exam Period: Thursday, Dec. 9 at 7-9pm

Final Project Submission and Debriefing

STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Students are expected to make themselves aware of and abide by the University community's standards of behavior as articulated in the [Student Conduct Code](#). 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 Part B, Section 11, "Behavior Violating University Standards" policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct at <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call

studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call

suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press "0" after hours – 24/7 on call

studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298

equity.usc.edu, titleix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following *protected characteristics*: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical

condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298

usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

Office of Student Accessibility Services - (213) 740-0776 <https://osas.usc.edu>. SASfrntd@usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710

uscса.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.

ACCT 581: PEER EVALUATION FORM

This form seeks feedback on team members contributions to group work on cases and the final project. Please rate each team member (including yourself) as to whether you assess their overall contribution to group work to be **way below average (1)** , below average (2), average (3), above average (4) or **well above average (5)**.

<u>Name</u>	<u>Rating from 1 to 5</u>
Yourself	_____
Other Team Member 1	_____
Other Team Member 2	_____
Other Team Member 3	_____
Other Team Member 4	_____