Instructor: Melissa J. Hershberger
Office: Bryan 340
Phone: 336-334-5658
Email: mjhershb@uncg.edu
Office Hours: Monday and Wednesday 10:30 pm –noon; Tuesday 5:00 pm until 6:00 pm and by Appointment – Highly recommended for graduate students

Note that email is the best method to quickly get in touch with me.

Prerequisites for this Course: MBA 707

Credit Hours for this Course: 3 hours

For Whom Planned:
This course is planned and conducted for graduate students in the Bryan School of Business. Graduate students with course study, background and interest in finance and valuation are the target audience for this course.

Purpose of Course:
This course is about value. The emphasis of this course is on equity and asset analysis and valuation. In the first part of this course, the methods of fundamental analysis will be examined in detail and applied in a project involving a publicly-traded company. The second part of this course, adds valuation modeling to the fundamental analysis. Topics include models of shareholder value; comparison of accounting and cash flow approaches to valuation; and the analysis of profitability, growth and value generation. Specific valuation methodologies to be addressed are naïve approaches, discounted cash flow and excess earnings models. Specific objectives of this course are:

Course Objective:
1. To provide an advanced understanding of value;
2. To provide an intermediate understanding of fundamental analysis;
3. To provide an understanding of the relevant attributes of an asset that provides value;
4. To provide an understanding of the relevance of cash flow information and accruals in accounting as it relates to firm value;
5. To provide an intermediate understanding of the comparables methods of valuation;
6. To provide an understanding of free-cash flow and excess earnings methods of equity valuation;
7. To provide a hands-on opportunity for the student to develop and demonstrate intermediate skill in fundamental equity analysis and valuation;
8. To provide opportunities to further develop understanding of Excel.

Text:
Required:

Electronic Resource:
Canvas will be used for this course. The sign-on site for Canvas is http://canvas.uncg.edu. Students enrolled in this course will have access to the applicable section of Canvas. Updates of the Course Syllabus, if required, as well as notes, solutions and other material deemed necessary will be posed to this site and available for download.

We will make use of Microsoft Excel. You are required to build your own financial analysis spreadsheet in this class. It is assumed that you have knowledge of Microsoft Excel. I do not teach Excel. Therefore, if your skills are a bit rusty, you must take the responsibility to brush up.

Grading:
Course grades will be determined as follows:
- Group Paper 1 10%
- Group Paper 2 10%
- Group Paper 3 10%
- Individual Assignments (15% each) 45%
- Group Final Project (and presentation) 25%

The grading scale is as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>92% and above</td>
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<tr>
<td>A-</td>
<td>90 – 91.99%</td>
</tr>
<tr>
<td>B+</td>
<td>88 – 89.99%</td>
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<tr>
<td>B</td>
<td>82 – 87.99%</td>
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<tr>
<td>B-</td>
<td>80 – 81.99%</td>
</tr>
<tr>
<td>C+</td>
<td>78 – 79.99%</td>
</tr>
<tr>
<td>C</td>
<td>70 – 77.99%</td>
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<tr>
<td>F</td>
<td>&lt; 69.99%</td>
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This course is built around a group assignment that builds each week and culminates in the presentation of a written and oral report by the group. Group members are expected to act as professional members of a work group. I will require all individuals to fill out a peer
evaluation report. This report will be used by me as guidance in determining final individual grades. Individual grades will be based upon the group grades, individual assignments and my determination of group participation by use of the peer evaluation reports and my observations with respect to class participation. It is my experience that individuals not engaged in their group projects tend not to be engaged in active learning and thus class participation is at best below satisfactory.

**Teaching Methods and Course Requirements:**

**General:**
This course will be taught from the perspective of a valuation expert, particularly the equity analysis – but much of the material covered in the course will be relevant to a vast array of valuation questions and decisions including, but certainly not limited to, the corporate financial analyst for evaluating acquisitions, restructurings and other investments, and for calculating the value generated by strategy scenarios. By the end of the course, you should feel competent in writing a convincing equity research report.

**Format of Course:**

- The class will be built upon a combination of lecture, discussion and in-class group work. It is required that you come to class prepared and ready to work.
- The course is a face to face class and thus lectures, assignments and other required elements of the course will only be provided in class.
- Your final grade will be based upon your performance on individual assignments and the group project.
- There are no opportunities for extra credit in this class.

**Group Project:**
The group project builds from session to session. This building format allows each group to receive feedback from me as well as to pace the work itself. I will provide specific instructions about group formation at the beginning of class of session 1. The number of group members and the makeup of each group will depend upon the final enrollment.

Each group will be required to pick a publically traded company to study during this course. I will provide the initial guidelines and industry to be studied. It is required that each group picks a company that the group members have some background, knowledge and expertise to study. It is important that no group pick a firm that quickly “gets them in over their heads.” Group paper due dates are posted below. No papers will be accepted after the start of class. **ALL papers must be submitted in hard paper form and submitted electronically in Canvas.** The only exception to hard copy submission is in the event of an adverse weather cancellation of class. Please when you form your group – pick one individual in charge of submitting the paper electronically in the event that the University is closed due to inclement weather on the due date. In such a circumstance papers are due in my email inbox no later than 6:30 pm.
Individual Assignments:
The individual assignments will be separate from the group project. These assignments will be short take-home papers designed around specific skills being taught in the class through reading, lecture and discussion. The due dates for these assignments are posted below and the assignments will be discussed in the class prior to the due date. No papers will be accepted after the start of class. ALL papers must be submitted in hard paper form as well as submitted electronically in Canvas. These assignments are INDIVIDUAL ASSIGNMENTS – the Academic Integrity Code will be strictly enforced.

Late Assignments:
All assignments, group and individual, are due at the beginning of class. Specifically, all papers are due no later than 6:30 pm. I will take a minimum of 10 points per day (24 hour period) for papers that are late. Again, no waiver of required hardcopy submissions will be accepted unless I specifically waive the electronic submission. There are no exceptions to these rules.

Group Paper Dates:
- Session 6 (February 13)
- Session 8 (February 27)
- Session 13 (April 10)

Individual Assignment Dates:
- Session 3 (January 23)
- Session 9 (March 13)
- Session 11 (March 27)

Final written and oral presentation of group projects:
- Session 15 (May 1)

Weather Policy:
In the event of a cold weather event (ice, snow), this class will strictly follow the University schedule. The University posts on the web site the status of classes (additionally, the area TV stations make announcement) when a weather event occurs, please refer to this source prior to class time. Please refer above to paper submission requirements in case of such an event.

Academic Integrity Policy:
Each student is expected to complete all requirements of this course in all respects in conformity with UNCG’s Academic Integrity Policy. The paragraph below, which was taken from this policy, highlights students’ responsibilities regarding academic integrity.

Students should recognize their responsibility to uphold the Academic Integrity Policy and to report apparent violations to the appropriate persons. Students who do not understand
the policy or its application to a particular assignment are responsible for raising such questions with their faculty member.

You are expected to understand what plagiarism is and not plagiarize any part of any assignment that you hand in to me. I will be checking each paper for plagiarism. If you are unclear on what constitutes plagiarism, see me immediately.

Please read the Academic Integrity Policy available at the following link: https://osrr.uncg.edu/academic-integrity/

**Violations of this policy will be strictly enforced. I will pursue the strongest penalty allowed for any violation.**

For further Faculty and Student Guidelines, please see:


**Other Comments including attendance:**
While it is understood that graduate students have busy schedules that include business conflicts, please exercise good judgment in missing class only when necessary. Your final grade in this course is based upon your value added to a group project – it is impossible to add value when you are absent from group meetings and/or virtual work meetings. As to individual assignments understand that assignments will be accepted early, but no assignment will be accepted late. Keep in mind, in a class meeting only once a week, absences can quickly become a problem. Thus, excessive absences can and will result in direct and indirect grade reductions.

The material in this course may be difficult for some. However, it is vital to your professional success. If you are having problems understanding the subjects presented, see me. Don’t wait until it is too late. Since this course builds on cumulative knowledge, problems in the early portion of the class will only compound as the semester progresses.
Tentative Schedule:

Session 1 (January 9):
Topic: VALUE??
Required Reading: Current articles posted to Canvas
In Class: Group formation and detailed explanation of group project including group paper 1 assignment.

Session 2 (January 16):
Topic: RISK!!
Required Reading: Current articles posted to Canvas

Session 3 (January 23):
Individual Assignment 1 Due
Topic: Introduction to Fundamental Analysis and Review of Financial Statements
Required Reading: Modules 1, and 2, including all appendices (Much of this material is review from your other course work at UNCG – but it is important that we all are on the “same page”. Please read the material carefully prior to class).

Session 4 (January 30):
Topic: Fundamental Analysis – Really what am I doing???

Session 5 (February 6):
Topic: Profitability Analysis and Interpretation
Required Reading: Module 3

Session 6 (February 13):
Group Paper 1 Due (Business and Accounting Analysis)
Topics: Revenue Recognition and Operating Income
Required Reading: Module 5 and Module 8 (Emphasis on Other Comprehensive Income and Statement of Stockholders’ Equity)

Session 7 (February 20):
Topics: Asset Recognition and Operating Assets
Required Reading: Module 6

Session 8 (February 27):
Group Paper 2 Due (Draft Fundamental Analysis)
Topics: Liability Recognition and Non-Owner Financing
Required Reading: Module 7

Session 9 (March 13):
Individual Assignment 2 Due
Topic: Around the Valuation World in 3 Hours or Valuation: Proposes and Illustrations
Required Reading: Current articles posted to Canvas
In Class: This class will be entirely discussion based. The valuation topic, which I promise will seem a bit bazaar at first blush, will be of my choosing based upon some current event or circumstance. To prepare for class you will have to thoroughly research the topic which might include researching case law. To give a couple of examples: Past classes have discussed the value of a kidney in a divorce proceedings and the value of a sway bar to a NASCAR team.

Session 10 (March 20):
Topic: Cost of Capital and Enterprise and Equity Valuation Basics
Required Reading: Module 12
In Class: Group formation and detailed explanation of group project including group paper 1 assignment. Individual assignment will be handed out.

Session 11 (March 27):
Individual Assignment 3 Due
Topic: Adjusting and Forecasting Financial Statements
Required Reading: Module 11

Session 12 (April 3):
Topics: DCF (Free Cash Flow) Approach
Required Reading: Module 13

Session 13 (April 10):
Group Paper 3 Due (Adjusted Financial Statements and DCF)
Topics: Excess Earnings Approach
Required Reading: Module 14

Session 14 (April 17):
Topics: Market-Based Valuation
Required Reading: Module 15

Session 15 (May 1):
Final Project DUE
Group Presentations in Class

Final Project and Presentation:
Group Presentation of Final Project: Each group will be allotted exactly 10 minutes. A reduction in grade will result from presentations that exceed the time limit.