The University of North Carolina at Greensboro
Bryan School of Business and Economics

MBA 721
Financial Statement Analysis and Valuation
Spring 2021

Instructor: Dr. Robert Lamy
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Office Hours: Monday and Wednesday 1:00 pm – 2:00 pm (Zoom) and by appointment
Note that email is the best method to quickly get in touch with me.

Prerequisites for this Course: MBA 707

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.

This course is about valuation. The emphasis of this course is on debt, 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 Objectives:

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:

Grading:
Course grades will be determined as follows:
- Homework 15%
- Exam #1 15%
- Exam #2 15%
- Group Case Analysis (5) 25%
- Group Valuation Project 30%

The grading scale is as follows:

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<tr>
<th>Grade</th>
<th>Description</th>
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<tr>
<td>A</td>
<td>92% and above</td>
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<tr>
<td>A-</td>
<td>90 – 91.99%</td>
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<tr>
<td>B+</td>
<td>88 – 89.99%</td>
</tr>
<tr>
<td>B</td>
<td>82 – 87.99%</td>
</tr>
<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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Teaching Method:

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.

As the course will delivered online in an asynchronous format, I will upload videos of my lectures on Mondays of each week during the term. These lectures are intended to address the issues from each module of the textbook as they relate to the overall valuation process.

Exams:

Exams will cover both the textbook (chapters and homework) and articles. The exams will be administered via CANVAS and will be available from 6:00 am (EST) to 11:59 pm EST on the scheduled exam date – see Class Schedule below. The exams are closed notes and closed book. You are not allowed to reference any electronic resource except for a blank Excel spreadsheet(s). Hand-held calculators are allowed, but not cell phones.
Homework Assignments:

Homework assignments will be administered through myBusinessCourse. There is a homework assignment for each module covered during the term, the details of each are found on the myBusinessCourse website. The homework assignment for each model(s) is due on the Monday following the week of that the module(s) is covered in the term (see Class Schedule below). The homework questions are auto-graded so please carefully follow the instructions regarding the required response-format. Please note that the homework website allows you the opportunity to check each step in the solution.

Group Case Analysis:

Each case team will be required to analyze and submit a report on five (out of seven) of the cases that we will discuss during the term. The Financial Detectives, 2016 Case will serve as a review and is not eligible for a group case analysis. A list of “Suggested Questions” will provided for each case that will serve as the basis for the analysis. The report should consist of responses to the “Suggested Questions” along with supporting analysis and documentation, i.e., spreadsheets. The case report is due on the Thursday of week the case is assigned (see Class Schedule below) at 11:59 pm EST. For example, the J.C. Penney Case is due on February 4.

Valuation Project:

The valuation 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 semester. The number of group members and the makeup of each group will depend upon the final enrollment.

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.

Each group will be required to pick two (2) publicly traded companies in the same industry to study during this course. It is recommended that each group picks an industry/companies 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.” The final report will consist of an executive summary (1 – 2 pages), power point presentation, valuation spreadsheet, and video. The valuation project is due April 27 at 9:00 pm EST.

Weekly Zoom Meetings:

I will hold weekly Zoom meetings from 7:00 p.m. to 8:00 p.m. on Tuesdays beginning on January 19, 2021. The goal of the Zoom meetings is to highlight the key points from the textbook and articles and to review homework assignments, cases, and the valuation report. I am available to serve as a resource for any of the activities during the class. These weekly Zoom meetings are optional.
## Class Schedule:

<table>
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<tr>
<th>DATE</th>
<th>CLASS ASSIGNMENT</th>
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| January 19 | • FSA&V – Modules 1 & 2  
• “A Review of Buffett’s Commentary on Accounting, Governance, and Investing Practices: Does He “Walk the Talk”?”, Bowen, Rajgopal, and Venkatachalam, *JACF*, 2018 |
| January 26 | • FSA&V - Modules 3 & 4  
• The Financial Detective, 2016 Case |
| February 2 | • FSA&V - Module 5  
• “A Long Look at Short-Termism: Questioning the Premise”, Mauboussin and Callahan, *JACF*, 2018  
• JC Penney Case |
| February 9 | • FSA&V - Module 6  
• Review for Exam #1 |
| February 16 | **Exam #1**                                                                 |
| February 23 | • FSA&V – Modules 7 & 8  
• Peyton Enterprises Case |
| March 2    | • FSA&V - Module 9  
• Potential Volatility Comes to Earnings - Berkshire Hathaway’s Equity Investments Case |
| March 9    | • FSA&V - Module 10  
• “Activist Investors and Their Implications for Corporate Managers”, *JACF*, 2015 |
| March 16   | • FSA&V - Module 11  
• Monsanto Company Case  
• Review for Exam #2 |
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<tr>
<th>Date</th>
<th>Event/Reading</th>
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<tbody>
<tr>
<td>March 23</td>
<td>Exam #2</td>
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<tr>
<td>March 30</td>
<td>• FSA&amp;V - Modules 12 &amp; 13</td>
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<td>• Whole Foods Market Case</td>
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<td>April 6</td>
<td>• FSA&amp;V - Modules 14 &amp; 15</td>
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<td>• “Do Corporate Managers Know When Their Shares Are Undervalued”, Amy Dittmar and Laura Casares Field, <em>JACF</em>, 2016</td>
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<td>April 13</td>
<td>• Crocs, Inc. Case</td>
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<td>April 20</td>
<td>• Facebook's Acquisition of WhatsApp - The Rise of Intangibles Case</td>
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<tr>
<td>April 27</td>
<td>Valuation Project</td>
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**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/](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: [https://bryan.uncg.edu/wp-content/uploads/2017/08/faculty_student_guidelines.pdf](https://bryan.uncg.edu/wp-content/uploads/2017/08/faculty_student_guidelines.pdf)

**Special Accommodations:**

Students who require special accommodations for assignments/exams should submit the Faculty Notification Letter no later than the second week of classes. All students requiring special accommodations for exams must take their exams at the Office of Accessibility Resources and Services (OARS). Initiating the testing accommodation procedure is the responsibility of the student.
COVID-19
As UNCG returns to face-to-face course offerings in Spring 2021, the campus community must recognize and address concerns about physical and emotional safety. As such, all students, faculty, and staff are required to uphold UNCG’s culture of care by actively engaging in behaviors that limit the spread of COVID-19. Such actions include, but are not limited to, the following:

- Wearing a face covering that covers both nose and mouth
- Observing social distance in the classroom
- Engaging in proper hand washing hygiene when possible
- Self-monitoring for symptoms of COVID-19
- Staying home if you are ill
- Complying with directions from health care providers or public health officials to quarantine or isolate if ill or exposed to someone who is ill.

A limited number of disposable masks will be available in classrooms for students who have forgotten theirs. Face coverings will also be available for purchase in the UNCG Campus Bookstore. Students who do not follow masking and social distancing requirements will be asked to put on a face covering or leave the classroom to retrieve one and only return when they follow these basic requirements to uphold standards of safety and care for the UNCG community. Once students have a face covering, they are permitted to re-enter a class already in progress. Repeated issues may result in conduct action. The course policies regarding attendance and academics remain in effect for partial or full absence from class due to lack of adherence with face covering and social distancing requirements.

For instances where the Office of Accessibility Resources and Services (OARS) has granted accommodations regarding wearing face coverings, students should contact their instructors to develop appropriate alternatives to class participation and/or activities as needed. Instructors or the student may also contact OARS (336.334.5440) who, in consultation with Student Health Services, will review requests for accommodations.

Health and well-being impact learning and academic success. Throughout your time in the university, you may experience a range of concerns that can cause barriers to your academic success. These might include illnesses, strained relationships, anxiety, high levels of stress, alcohol or drug problems, feeling down, or loss of motivation. Student Health Services and The Counseling Center can help with these or other issues you may experience. You can learn about the free, confidential mental health services available on campus by calling 336-334-5874, visiting the website at https://shs.uncg.edu/ or visiting the Anna M. Gove Student Health Center at 107 Gray Drive. For undergraduate or graduate students in recovery from alcohol and other drug addiction, The Spartan Recovery Program (SRP) offers recovery support services. You can learn more about recovery and recovery support services by visiting https://shs.uncg.edu/srp or reaching out to recovery@uncg.edu COVID-19 Spartan Shield Video UNCG Chancellor Frank Gilliam has challenged us to create a Culture of Care at UNCG where we all wear face coverings and social distance, less to protect ourselves but rather more to protect everyone around us. It shows that you care about the well being of everyone around you. We have created this video featuring your student body presidents to better explain how and why this is so important. Please watch this video before the first day of classes.
https://youtu.be/Mb58551qxEk.