

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
BRYAN SCHOOL OF BUSINESS AND ECONOMICS**

**MBA 721-03
Financial Statement Analysis and Valuation
Spring 2024**

Instructor: Dr. Robert Lamy

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Office Hours: 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, methods of financial statement analysis are examined in detail and applied in a project involving a publicly traded company. The second part of this course examines valuation models. 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:

Financial Statement Analysis and Valuation (FSA&V), Sixth Edition, Easton, McAnally, Sommers and Zhang. Cambridge Business Publishers (2021) [ISBN: 978-1-61853-360-9]. Please note that the e-book is only available through Cambridge via the mybusinesscourse.com website - <https://mybusinesscourse.com/book/financial-statement-analysis-valuation-6e#purchase>.

Cases

Cases can be obtained directly from Darden Publishing. If you have an account with Darden Business Publishing, click on <https://store.darden.virginia.edu/mba-721-spring-2024>, the link provided to purchase the materials. You will be prompted to login before checking out. If you do not have an account with Darden Business Publishing, please register here first. <https://store.darden.virginia.edu/WidgetsRegistration/Index>. Be sure to register with your university address ending in .edu to receive the academic pricing. Immediately after registering you will receive an email to activate the account (keep an eye on your spam box in case the email is delivered there). Now that the account is activated, click on the link provided to you. Select and add it to your cart then proceed to checkout. Don't forget to agree to the terms. Once the purchase is complete (takes about 10 minutes) you will receive an email to download the materials. Again, keep an eye on your spam box. If for any reason, you do NOT receive the email, you can always access it from the website by logging in, clicking on My Account (top right corner) and then My Purchased Products (orange box to the left). If you have any problems, please contact Charlotte at Darden Business Publishing at sales@ardenbusinesspublishing.com. She is available Mon-Fri from 8:30am-4:30pm.

Grading:

Course grades will be determined as follows:

Homework	15%
Exam #1	15%
Exam #2	15%
Group Case Analysis (6)	25%
Group Valuation Project	30%

The grading scale is as follows:

A	92% and above
A-	90 – 91.99%
B+	88 – 89.99%
B	82 -87.99%
B-	80 – 81.99%
C+	78 – 79.99%
C	70 – 77.99%
F	< 69.99%

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 be 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 Wednesday at 8:00 am – Sunday at 11:59 pm of the week the exam is scheduled – 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 six (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 – no submission is required but we will discuss the case during a weekly zoom meeting. A list of “Suggested Questions” will be provided for each case that will serve as the basis for the analysis. Each team report should consist of responses to the “Suggested Questions” along with supporting analysis and documentation, i.e., calculations/spreadsheets. **Case reports are due on the Tuesday following the week that the case is assigned (see Class Schedule below) at 6:00 pm EST.** For example, the **J.C. Penney** Case is due on January 30.

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.

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(s), and video. The valuation project is due **April 23 at 6:00 pm EST.**

Weekly Zoom Meetings:

I will hold weekly Zoom meetings on Tuesdays from 6:00 p.m. to 7:00 p.m. 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.*

COVID-19

As we return for Spring 2024, please uphold UNCG’s culture of care to limit the spread of covid-19 and other airborne illnesses. These actions include, but are not limited to:

- Engaging in proper hand-washing hygiene
- Self-monitoring for symptoms of covid-19
- Staying home when ill
- Complying with directions from health care providers or public health officials to isolate if ill
- Completing a [self-report](#) when experiencing covid-19 symptoms or testing positive for covid-19
- Following the CDC's [exposure guidelines](#) when exposed to someone who has tested positive for covid-19
- Staying informed about the University's policies and announcements via the [covid-19](#) website

Class Schedule:

The Week Of	CLASS ASSIGNMENT
January 8	<ul style="list-style-type: none"> • 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, <u>JACF</u>, 2018
January 15	<ul style="list-style-type: none"> • FSA&V - Modules 3 & 4 • The Financial Detective, 2016 Case (will discuss on Jan. 23)
January 22	<ul style="list-style-type: none"> • FSA&V - Module 5 • “A Long Look at Short-Termism: Questioning the Premise”, Mauboussin and Callahan, <u>JACE</u>, 2018 • JC Penney Case (Due: January 30)
January 29	<ul style="list-style-type: none"> • FSA&V - Module 6 • “Drivers of Shareholder Returns in Tech Industries”, Milano, Chatterjee, and Fedigan, <u>JACF</u>, 2016 • Review for Exam #1
February 5	<p>Exam #1</p>
February 12	<ul style="list-style-type: none"> • FSA&V – Modules 7 & 8 • “The Purpose of the Firm, Valuation, and the Management of Intangibles”, Bartley Madden, <u>JACE</u>, 2017 • Peyton Enterprises Case (Due: Feb. 20)
February 19	<ul style="list-style-type: none"> • FSA&V - Module 9 • “Activist Investors and Their Implications for Corporate Managers”, <u>JACE</u>, 2015
February 26	<ul style="list-style-type: none"> • FSA&V - Module 10 • Pension Accounting at AT&T Case (Due: March 12)
March 11	<ul style="list-style-type: none"> • FSA&V - Module 11 • Monsanto Company Case (Due: March 19) • Review for Exam #2

March 18	Exam #2
March 25	<ul style="list-style-type: none"> • FSA&V - Modules 12 & 13 • “The GameStop Episode: What Happened and What Does It Mean,” Allan M. Malz, <u>JACF</u>, 2021 • Whole Foods Market Case (Due: April 2)
April 1	<ul style="list-style-type: none"> • FSA&V - Modules 14 & 15 • “Do Corporate Managers Know When Their Shares Are Undervalued”, Amy Dittmar and Laura Casares Field, <u>JACF</u>, 2016 • Crocs, Inc. Case (Due: April 9)
April 8	<ul style="list-style-type: none"> • Divestment as an ESG Tool: CalPERS and Tobacco Stocks Case (Due: April 16)
April 15	<ul style="list-style-type: none"> • “‘Non-Financial’ Is a Misnomer but Doesn’t Have to Be a Missed Opportunity”, Glazerman and Cohen, <u>JACF</u> 2020 • “ESG, Material Credit Events, and Credit Risk”, Henisz and McGlinch, <u>JACF</u> 2019
April 22	Valuation Project Presentations

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.

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.