

Syllabus

Financial Statement Analysis (ACCTG 510)

Why study financial statement analysis?

To gain the knowledge and skills necessary to analyze, interpret, understand, and use publicly available financial information to make informed decisions. Specifically, this course examines the role of corporate financial reporting in financial analysis. The focus is on the analysis of public companies performed by external parties, with a focus on equity valuation. Tools learned will also be useful for credit analysis, predicting financial distress, and evaluating managerial performance. Students in this course will develop their questioning and analytic mindsets by undertaking analysis of forecasting and equity valuation and communicating insight from these analyses.

Key learning objectives:

1. Students will be able to analyze financial information found in public filings (including annual (10-K) and quarterly (10-Q) SEC filings):
 - a. By evaluating the benefits and limitations of real disclosures made by public companies.
 - b. By calculating ratios, trends and forecasts to generate insight.
 - c. By researching and analyzing accounting footnotes.
2. Students will be able to apply fundamental valuation techniques:
 - a. By computing firm valuation using earnings forecasts and other information.
 - b. By making recommendations based on estimates of firm value relative to market prices.
3. Students will be able to work in teams and communicate insight from financial statement analysis and fundamental valuation:
 - a. By articulating and defending key forecasting and valuation assumptions.
 - b. By researching and articulating how internal controls, audit processes and technology impact perceptions of firm performance and valuation.

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Prerequisites, required texts, materials and software:

- There are no formal prerequisites for this course.
- There is no required text for this course. **However, I strongly recommend Equity Valuation & Analysis by Lundholm & Sloan.** It makes a great companion book for this course. It is available in electronic version with lifetime access for \$75.
<https://www.lundholmandsloan.com/book>
 - a. At the Lundholm and Sloan website there is also free forecasting and valuation software to download that will be very useful for cases and your initiation report project.
- Materials outlining the required deliverables, templates, sample solutions and cases are accessed via Canvas.

Learning approach, research skill development:

- **Research skill development:** I have made the decision to not provide case materials (e.g. press releases, annual reports, sell-side research reports, etc.). While other professors choose to provide neatly organized zip folders with materials, I have consistently found one of the most critical skills students learn from this course is how to efficiently search for and locate these documents/data sources. It is not unusual for students to tell me they really did not like the hunt for information at the time, only to realize how useful this skill was down the road. I try to be generous with my time to answer questions about how to find the documents/information needed.

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Assessment:

Assessment in this course is focused on providing students with feedback on their ability to design, perform, interpret and communicate insight from financial statement analysis. In addition, students will be assessed on both written and verbal communication as well as the ability to effectively work in your teams and as an individual. A summary of the components of your grade for ACCTG 510 are below, detail for each assessment follows:

Assessment	Assessment Type		Grade Percentage
Pre-class case submissions	Individual	Case	24%
Midterm exam	Individual	Exam	28%
Valuation Report	Team	Written and Presentation	28%
Professionalism	Individual	Participation and communication	20%
Total			100%

Case deliverables: There are six cases with several questions each. The answers do not need to be “correct” to get credit. Answers simply need to communicate that reasonable & productive thought was put into considering each question.

Midterm Exam: This will be a take home exam. It should take around 3 hours to complete if you study and prepare. In contrast to the cases, the exam will be evaluated relative to the best/most correct answers.

Professionalism: Is an individual assessment of professionalism and engagement based in class opportunities to participate including but not limited to random call and poll responses.

Initiation report: Is a group project; groups will be student choice. The initiation report is based on your research and analysis conducted throughout the quarter. Teams of four will break into two groups of two, each team (of four) will work in pairs to separately examine two companies from the same industry. The two person teams will primarily do the work on one of the two companies. Then the two sub-teams will get together and decide which of the two companies is the better investment. This recommendation will be presented to your classmates the last day of class. Assessment will relate to how well you apply the various financial statement analysis, forecasting and valuation tools and techniques we cover to a

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publicly traded firm of your choice, and how well the tools and insights from the analysis are communicated. Each group must cover a different company, so if you are passionate about what company you want to cover, turn your selections in (via email) as quickly as possible. Please avoid selecting a company for which you or a group member have already conducted an in-depth analysis on in a prior Finance or Accounting course. Details and further guidance will be provided on Canvas. In ACCTG 510, the Valuation Assessment Group Project is supported by four deliverables that will be incorporated into the common final group project:

1. **Project Deliverable #1**, Identifying your company. Provide a brief company overview and identify critical areas for research. Due **April 11th (Friday) by 6:00pm**.
2. **Project Deliverable #2**, Written Report Part I; Due **May 13th (Tuesday) by 11:00am**.
 - a. **Understanding your firm:** More detailed analysis of the business model, and the biggest challenges the Company faces; a discussion of its strategy using the common-sized financial statements and ratio analysis.
 - b. **Financial Statement Analysis:** Compare the core ratios for your firm to their industry and closest competitor, analyze the quality of earnings.
3. **Project Deliverable #3**, Written Report Part II; Due the night before your presentation date (Monday June 2nd, 11:59PM).
 - a. **Financial statement forecasts:** Forecast financial statements for your firm.
 - b. **Firm valuation:** Use the financial statement forecasts to form a valuation.
 - c. **Scenario analysis:** Valuation in scenarios w/ probability assumptions.
4. **Project Deliverable #4**, Project Presentation; an upload of presentation slides is due before class on Tuesday, June 3rd at 1:30PM. Presentations will include an investment recommendation (buy/sell) and a price target.

General note on the project: I prefer to leave the project open-ended (as opposed to providing a long, detailed list of requirements). I want you to carefully think about selecting a subset of tools/analysis techniques from the course (and/or prior coursework/knowledge) that are most relevant to making a persuasive investment recommendation (as opposed to just mindlessly following an exhaustive checklist).

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Instructor details:

Instructor:	Matt Van Winkle (mvansb23@uw.edu)
Class Times:	TTh 1:30 PM – 3:20 PM
Class Location:	PCAR 393
Office Hours:	PCAR 529 or Zoom, by appointment.

Administrative Matters:

Questions about the content of this course should first be directed to the instructor.

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Religious Accommodations Policy:

<https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/>

Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form

<https://registrar.washington.edu/students/religious-accommodations-request/>

Tentative Course Schedule¹

Date	Day	Class Overview	Required/Recommended Prep
Week 1			
04/01/2025	Tuesday	Introduction to financial statement analysis	Recommended: <u>Read eVal Ch. 1</u>
04/03/2025	Thursday	Overview of accounting-based valuation	Before class recommended: <u>Read eVal Ch. 10</u>
Week 2			
04/08/2025	Tuesday	Valuations theory & ratios.	Before class recommended: <u>Read eVal Ch. 11</u> After Class Required: <u>Submit team/company choice</u>
04/10/2025	Thursday	Earnings announcements, collecting information	Before class required: <u>Read eVal Ch. 2 & 3</u> <u>Submit case 1</u> <u>Upload Initiation Report Deliverable #1 by April 11th at 6pm</u>
Week 3			
04/15/2025	Tuesday	Valuations theory & ratios, sum of the parts valuation	Before class read Fluor background
04/17/2025	Thursday	Understanding non-GAAP earnings	Before class recommended: <u>Read Ch. 4</u> Before class required: <u>submit case 2.</u>

¹ Subject to change. Please make sure that you can receive Canvas announcements to receive important updates.

Week 4:

04/22/2025	Tuesday	Ratio Analysis	Before class recommended: <u>Read eVal Ch 5,</u> <u>Turn in case 3</u>
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04/24/2025	Thursday	Ratio Analysis – correcting accounting distortions
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Week 5:

04/29/2025	Tuesday	Understanding incentives; detecting earnings management, cash flow analysis	Before class recommended, <u>read Ch. 6</u>
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05/01/2025	Thursday	Mergers & Acquisitions	Before class required, <u>submit case 4.</u>
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Section 2: Forecasting, Valuation and Decision-Making

Week 6:

05/06/2025	Tuesday	Forecasting	Before class recommended, <u>read Ch. 7&8</u> Before class required, <u>turn in case 5.</u>
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05/08/2025	Thursday	Cash flow & balance sheet forecasting details, pro forma forecasting for M&A	<u>After Class: Midterm exam distributed, due Friday May 17th at 6:00pm</u> <u>After class required, upload final project deliverable #2 by 5/13/2025 at 11:00am</u>
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Week 7:

05/13/2025	Tuesday	Project meetings
05/15/2025	Thursday	Project meetings

Week 8

05/20/2025	Tuesday	Forecasting wrap up	
05/22/2025	Thursday	Short selling	Before class, turn in case 6.

Week 9

05/27/2025	Tuesday	Weighted average cost of capital	Before class recommended, <u>read Ch. 9</u>
05/29/2025	Thursday	Course Summary, Evaluations	

Week 10:

06/03/2025	Tuesday	Final presentations	Upload Final Report by 11:59pm on 6/02/25
06/05/2025	Thursday	NO CLASS	Upload Presentation by 1:30pm on 6/03/25