

**ACCOUNTING 5394**  
**FINANCIAL STATEMENT ANALYSIS**  
**COLLEGE OF BUSINESS ADMINISTRATION**  
**UNIVERSITY OF TEXAS AT EL PASO**  
**SUMMER 2018**

**Instructor Contact Information**

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**Required Course Materials**

Cases: Harvard Business Cases (6):  
\*\*Students must purchase these cases.  
<https://hbsp.harvard.edu/import/531980>

Websites: (1) Blackboard Webpage (please check regularly).

**Recommended Course Materials**

Textbook: Financial Statement Analysis and Security Valuation, Fifth Edition, by Stephen H. Penman. McGraw-Hill/Irwin, 2013.

**Course Description**

This course is designed to introduce students to financial statement analysis and accounting-based valuation. The course focuses on the use of financial information to value and assess equity and debt securities. According to the Financial Accounting Standards Board (FASB), the primary purpose of financial reporting (accounting information) is to assist investors in making investment decisions, both equity investments and lending decisions. The course will introduce material that will strengthen the student's ability to understand and use financial statements. Students will learn contemporary valuation models and how to incorporate financial information into these models to provide valuations of equity securities and make equity investment decisions.

The course is particularly valuable in that the valuation techniques learned here are universal and therefore should serve financial managers throughout their careers. Accounting standards change on a regular basis; however the fundamentals of valuation and the fundamental valuation models themselves will not change. In fact, a strong understanding of valuation should help students to anticipate and adapt to ever-changing accounting standards.

**Accommodations for Students with Disabilities**

If you have or suspect a disability and need accommodations, you should contact the Center for Accommodations and Support Services (CASS) at 747-5148. You may also email the office at [cass@utep.edu](mailto:cass@utep.edu) or visit the office in the Union Building East, Room 106. For additional information, please visit the CASS website at <http://sa.utep.edu/cass/>

**Grades**

Your final letter grade will be based on the following items (weighted as follows):

Exam 1	Wednesday, June 13 <sup>th</sup> (in class)	100 points
Final Exam:	Saturday, June 30 <sup>th</sup> (in class)	100 points
Case write-ups (20 points each, drop lowest)		100 points
Final project write-up		50 points
Final project presentation		20 points
In-class participation		<u>30 points</u>
<b>Total Possible Points</b>		<b>400 points</b>

Grades are assigned using the following scale:

Grade Level	Percentage of Points
A	90.0 to 100.0%
B	80.0 to 89.9%
C	70.0 to 79.9%
D	60.0 to 69.9%
F	< 60%

Please note that I reserve the right to relax these cut-off points depending upon class performance.

**Exams (200 points)**

Each exam is worth 100 points. If you have an unforeseeable legitimate emergency (e.g. serious illness or death in your family), please notify me within 24 hours and be ready to provide documentation detailing your emergency (e.g. a doctor's note). Otherwise, a "0" will be designated for any missed exam. For all exams, please bring a calculator and your student ID card. All exams are closed book and closed note. You will be asked to leave all coats, backpacks, non-approved electronic devices (e.g. cell phones, tablets, smartwatches), etc. at the side or front of the examination room. Be prepared to change seats once all students have entered the examination room.

**Cases (100 points)**

A one-to-two page, single-spaced case write-up, not including appendices, (two to four pages if double spaced) is due before class on our case discussion days (June 6<sup>th</sup>, June 9<sup>th</sup>, June 16<sup>th</sup>, June 20<sup>th</sup>, June 23<sup>rd</sup>, and June 27<sup>th</sup>). The case write-up must be typed (no handwritten write-ups please). Case discussion questions will be provided. Any calculations should be attached as an appendix. If you are unable to attend class for one of our case discussions, you must turn in the case write-up prior to class either in hard copy or via e-mail. I will drop your lowest case score. You may discuss the cases with classmates, but the case write-up you turn in should be your own work.

**Late Cases**

A 25% late penalty is assessed on case write-ups turned in after the assigned due date and time. Any late case write-ups must be turned in at or before the final exam on June 30<sup>th</sup>.

**Course Project**

The course project consists of an analysis of financial statement information and the valuation of a company of your choice. The project allows you to dig deeply into the strategies, drivers of profitability and risk, growth opportunities and accounting and valuation issues of a company you are interested in. This project also gives you the opportunity to apply and refine your analysis tools gained throughout the course.

Additional information on the term project will be provided in class. You will give a brief PowerPoint presentation and turn in a hard copy of your valuation report on June 30th.

### **Class Participation (30 points)**

You are expected to attend class and actively participate. Participation credit will be given based on the *quality and quantity* of your participation. Generally, the more you volunteer answers or ask questions, the higher your participation credit will be. Unexplained absences/tardiness will reduce your participation credit. Unprofessional behavior (such as unapproved cell phone use, texting, inappropriate discussions, and/or tardiness) will also reduce your participation points. Please turn off cell phones during class to minimize disruptions.

### **Course Calendar**

The course calendar with a class-by-class description of course activities is included below. It includes the topics to be covered each lecture, assignments, and all due dates. Be aware that I cannot predict the precise flow of the course and these dates may have to be adjusted slightly from time to time. Modifications to the schedule and changes in course requirements will be announced in class and/or through Blackboard.

I reserve the right to change any assignment if circumstances dictate. Students will be notified of such changes through an announcement in class and/or via Blackboard. You have the responsibility to be aware of such changes by checking Blackboard regularly and attending class.

### **Plagiarism and Cheating**

You are encouraged to discuss homework assignments with other classmates. However, copying work from any source, including classmates, homework files, the Internet, etc. is NOT acceptable. **Submitting material that has been copied constitutes plagiarism and will be treated as cheating.** All students are expected to complete their own work and to abide by the Handbook of Operating Procedures available in the Office of the Dean of Students. All exams will be closed book and closed note and should reflect your individual efforts. **Any suspected cheating during exams or quizzes will be reported to the Office of Student Conduct and Conflict Resolution.**

### **Campus Carry**

Although persons who hold a concealed handgun license can lawfully carry their gun into a UTEP classroom the classrooms located at the GBC are not owned by UTEP. This facility is leased from an organization not affiliated with UTEP. Therefore, there are no weapons allowed at the GBC facility located in the Chase Bank Building.

### **Academic Standing**

At the graduate level, academic standing is based on cumulative grade point average not by major or program of study. All coursework (GR/DR/SP) completed at the student's respective level is part of the graduate academic record/transcript, and all respective grades earned are part of the cumulative GPA. This applies to all courses even if the courses are not part of the degree requirements.

- Courses are listed on transcripts with their respective cumulative grade point average according to the level of the course not the level of student.
- At the graduate level, courses cannot be repeated for GPA recalculation.

### **Probation**

- Graduate students (degree seeking) in graduate programs must maintain a minimum 3.0 cumulative grade point average.
- Post-baccalaureate, teacher and professional certification and/or endorsement students (non-degree) must maintain a minimum 2.5 cumulative grade point average.
- Failure to meet the minimum cumulative GPA requirement will result in academic probation.

- If placed on academic probation, the cumulative GPA must be raised to a 3.0 for degree seeking students or 2.5 for non-degree seeking students by the conclusion of the next nine semester hours of enrollment or the student may face permanent dismissal from the Graduate School.

### Course Schedule

Date		Topic	Class	Penman Chapters
5/30	Wed	Syllabus Review, Intro to Investing and Valuation, Intro to Financial Statements & How Financial Statements are Used in Valuation. <i>In-class activity: Company analysis.</i>	1	1 to 3
6/2	Sat	Estimating the Equity Cost of Capital. <i>In-class activity: Start Course Project</i>	2	
6/6	Wed	Discounted Cash Flow Valuation & Residual Earnings. <i>In-class activity: Starbucks valuation.</i> <b>HurryDate</b> case	3	4 & 5
6/9	Sat	Abnormal Earnings Growth; Valuation and Active Investing & Viewing the Business Through the Financial Statements. <b>Midland Energy Resources, Inc.: Cost of Capital</b> case.	4	6, 7 & 8
6/13	Wed	The Analysis of the Statement of Shareholders' Equity, Balance Sheet, and Income Statement. <i>In-class activity: Reformulate Financial Statements.</i> <b>Mid-term Exam</b>	5	9 & 10
6/16	Sat	Analysis of the Cash Flow Statement & Analysis of Profitability. <b>LinkedIn Corporation</b> case.	6	11 & 12
6/20	Wed	Analysis of Sustainable Earnings & Value of Operations. <b>Dollar General Going Private</b> case.	7	13 & 14
6/23	Sat	Simple Forecasting & Full-Information Forecasting. <i>In-class activity: Forecasting.</i> <b>Netflix</b> case.	8	15 & 16
6/27	Wed	Creating Accounting Value & Analysis of Accounting Quality. <b>Harnischfeger Corp</b> case.	9	17 & 18
6/30	Sat	Course Project presentations and Final Exam	10	