Professor Jim Ohlson  
OFFICE: KMC 10-85  
OFFICE HOURS: Mon & Wed 11:00am – 1:00pm (or by appointment)  
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The TA's name and address TBA

**Course Description:** This course develops concepts and tools used to analyze financial statements. The focus will be on the analysis of financial statements for purposes of equity valuation. While issues related to accounting principles make their presence felt, the approach in this course differs from the typical accounting course because it invokes a user perspective. Thus, "What do financial analysts actually do with financial statements?" is the question we address in the course.

**Learning Objectives:**

- Develop an understanding of how one integrates finance concepts (like cost of capital) in the analysis of financial statements.
- Develop an understanding how the basic financial statements interact and differ in the information they provide.
- Develop an understanding of how one uses financial statements to forecast future outcomes such as earnings and dividends and cash flows.
- Develop an understanding of the conceptual and practical difference between operating and financial activities.
- Develop an understanding of how one converts forecasts to estimate of a firm’s value.
- Develop the skills to use spread sheets (i.e., excel) as a tool in financial analysis.


**Grading:**

- Homework/Assignments 15%
- Midterm 20%
- Final 50%
- Project 15%
**Rules related to assignments:** Due before the class to which it has been assigned. You can either bring hard copy to class or send it by email. Late handing will not be accepted. While you can consult with your fellow students, what you hand in must reflect your own honest understanding.

**Rules related to exams:** You can bring 4 pages of notes, but nothing else. You should bring a regular calculator. There will be no makeup exams if you miss the exam or do poorly. (Exceptions: health or family reasons.)

**Rules related to project:** You will join a self-selected group consisting of no more than 5 individuals. You cannot consult with any individuals except those in your group. Due date is right before the last class; it should be sent by email though.

**Rules related to class attendance:** Class attendance is not part of the grade. That said, you cannot ask the instructor or TA what occurred in class unless you in fact attended (exception in obvious cases of health and family problems, religious observance, and civic obligations). When you attend class, all electronic devices must be turned off unless you have been told to bring a laptop for class use. If you come late to class more than twice you will be given a warning that subsequent infractions will affect your course grade.

**Rules related to communications:** You are expected to consult Blackboard at least every 12 hours throughout the week. I will post course notes etc. on a regular basis as the need arises. You will occasionally be told to download material which you have to bring to class. You are of course free to email me, but you have to recognize that I will not provide out-of-class e-mail tutorials on topics covered in the text or in class. However, I do have office hours which are there to discuss whatever concerns you.

**Lectures/Readings/Assignments**

*What follows below is tentative; it may change 2-3 times throughout the semester*

Jan. 20 (Wd.) Introduction to valuation and financial statements.
   R(ead): Chapters 1&2
   A(ssignments): None

Jan. 25 (Mo.) An overview of the financial statements
   R: Ch 2
   A: E1.5,E2.1,E.2.2,E2.3
Jan. 27 (Wd.) Basic concepts of valuation & financial statements  
  R: Ch 3  
  A: None

Feb. 1 (Mo.) Dividends, cash flows and value  
  R: Ch 4  
  A: E2.4, E3.3, E3.5, E3.6

Feb 3 (Wd.) Understanding how book value relates to market value  
  R: Ch 5  
  A: None

Feb. 8 (Mo.) Continuation  
  R: Ch 5  
  A: E4.1, E4.3, E4.11, E5.1, E5.2

Feb. 10 (Wd.) Understanding how earnings relate to value  
  R: Ch. 6  
  A: None

Feb. 15 (Mo.) No class (President's Day)

Feb. 18 (Wd.) Continuation  
  R: Ch 6  
  A: None

Feb. 22 (Mo.) Continuation  
  R: None  

Feb. 24 (Wd.) Operating vs. financial activities and how they integrate  
  R: Ch 7  
  A: None

March 1 (Mo.) Continuation  
  R: Ch 7  
  A: E7.1, E7.2, E7.4

March 3 (Wd.) Continuation  
  R: Case to be distributed  
  A: None

March 8 (Mo.) The Shareholders' Equity Statement  
  R: Ch 8
March 10 (Wd.) **Midterm Exam**

**March 15 & 19 – Spring Recess**

March 22 (Mo.) Review of Midterm
   R: None
   A: None

March 24 (Wd.) Continuation
   R: Ch 8
   A: None

March 29 (Mo.) The Income Statement and Balance Sheet
   R: Ch 9
   A: E7.5, E7.6, E8.1, E8.3

March 31 (Wd.) Continuation
   R: Ch 9
   A: None

April 5 (Mo.) The Statement of Cash Flows
   R: Ch10

April 7 (Wd) The analysis of profitability
   R: Ch 11
   A: None

April 12 (Mo.) The analysis of growth
   R: Ch 12
   A: E10.2, E10.11, E10.12, E11.1, E11.2

April 14 (Wd.) Concepts of forecasting, part I
   R: Ch 13
   A: None

April 19 (Mo.) Concepts of forecasting, part II
   R: Ch 14, 15

April 21 (Wd.) The practice and use of spread sheets
   R: None
   A: None

April 26 (Mo.) Continuation
   R: None
   A: Case to be distributed
April 28 (Wd.) Quality of Earnings
   R: Ch 17
   A: None

May 3 (Mo.) Review & Summary
   R: None
   A: none