STERN SCHOOL OF BUSINESS
NEW YORK UNIVERSITY

Financial Statement Analysis B10.2303

Financial Statement Analysis
Professor Pepa Kraft
Office: KMC, Room 10-80
Phone: 212-998-4038
Email: pkraft@stern.nyu.edu

Spring 2011
B10.2303
Section 00, Saturday, 9am-12pm
Section 30, Tuesday 6-9pm
Office Hours: By appointment only

Prerequisite: B01.1306: Financial Accounting and Reporting. If you have not taken this class, please see me before or after the first class.

Course Objectives and Topics:
Financial reporting systems serve many purposes. They are used to inform both current and potential investors. The accounting numbers reported in the financial statements are used in contracting between shareholders, managers, creditors and others. Regulators use financial reports to make assessments of competitive conditions and financial strength. At various times, management makes financial reporting and/or transaction design decisions to obtain some objectives with these various user groups. In this course, we will examine and analyze the financial accounting model in order to obtain a better understanding of these decisions and their telltale signs in the financial reports. These skills will enable us to make assessments of the “quality of reported earnings” and to make comparative assessments of performance and risk.

The Financial Statement Analysis Course provides many essential tools and concepts for students contemplating careers in corporate finance, auditing, investment banking, and equity and fixed income research. The material is covered in a rigorous, analytical manner. The course is meant to be difficult, but manageable. Accounting is like a language; students become more fluent with practice.

This course assumes that you have retained the material covered in the introductory core financial accounting class, B01.1306 or equivalent. I will also assume that you are familiar with present value and compound interest calculations.

Office Hours
I am happy to meet with you outside of class. I am available by appointment. Please email me to make arrangements.

Course Materials:
Course materials comprise class syllabus, class notes (Power Point), and homework assignments. All class materials will be available on Blackboard. There is no specific textbook required for this course. My lectures notes are based on the following textbooks,
which are recommended for further reference. There are no required readings from the textbooks and you do not have to purchase them.


Course Webpage:
I will be posting class handouts as well as other material on the course website (Blackboard). **You are encouraged to check the course webpage every few days. The relevant class handout will be posted before class – make sure you download the handout before coming to class.**

Materials, Problems and Cases:
As we cover the material in class, I will provide articles and examples from the popular press related to our discussions. Materials used in this class, including, but not limited to handouts, exercises, cases, discussion questions, charts and graphs are copyrighted and may not be used for purposes other than the educational experience of this class without the written consent of the instructor.

Academic Integrity:
Students are expected to adhere to, and will be bound by, the University and School policies governing academic integrity. Compliance with the Honor Code is assumed at all times and under all circumstances.

If you are unable to attend a class, I expect you to notify me in advance, by e-mail.

Course Grading:
Your course grade will be determined as follows:

**Midterm:** 25%

**Final Exam:** 35 %
The exams are open-book/notes.

**Class participation and Cases:** 20%

**Final group project (due on last day of class):** 20%
The cases and the final project are to be done in groups of no more than 4 people.

Case write-ups are to be turned in when indicated on the class outline. You may work in groups on these write-ups and turn in one common write-up. An example of the required format is given at the end of this syllabus. Points will be deducted if your work does not conform to these requirements. Assignments are equally-weighted for this portion of the grade.

The final project is due on the last day of class for your assigned section. Specific information on the project is contained in a separate document. You may work in groups on these write-ups and turn in one common write-up. An example of the required format is given at the end of this syllabus. Points will be deducted if your work does not conform to these requirements.

Participation is based on consistency and quality of classroom input, mainly related to case and homework discussions, but also includes asking sensible questions about class content. Participation also includes consistent class attendance – you will lose participation points if you are not in class on a regular basis.

Failure to achieve acceptable performance in any of the grade components, including participation, will lead to a failing grade for the class overall.

Late assignments will only be accepted if you have made arrangements with me prior to the due date. If you turn in an assignment in a section other than that in which you are registered be sure to include your section number on the assignment.

Finally...

Please feel free to contact me at any time with any questions, comments, or suggestions that you might have. I hope that you enjoy the class!
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<th>Class #</th>
<th>TOPIC</th>
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<tr>
<td>1</td>
<td>Course Introduction and Overview</td>
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<td>Performance Reporting (income statement analysis)</td>
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<td>Income Statement Analysis</td>
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<td>Revenue and Income Recognition</td>
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<td>3</td>
<td>Cash Flows Analysis</td>
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<td>Ratio Analysis</td>
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<td>Inventories</td>
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<td>MIDTERM (In class)</td>
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<td>Liabilities: Leases</td>
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<td>Liabilities: Bonds</td>
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<td>Fair value model: investment securities</td>
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<td>Equity method, consolidation, certain off-balance-sheet arrangements</td>
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<td>FINAL EXAM (In class)</td>
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<td><strong>Final Project due</strong></td>
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This document shows the correct format for all class assignments (homework assignments and final project). Points will be deducted for formatting that does not comply with these guidelines.

- Use 12 point font and double-spaced text.
- Do not use a cover page.
- Because these are professional documents, points will be deducted for grammatical and spelling mistakes. You may use English spellings acceptable in either London (realise, centre, flavour, car tyre) or New York (realize, center, flavor, car tire).
- Your name or names must be shown at the top right, as shown above, alphabetized by last name if a group assignment. Section number(s) must also be shown here (next to name if different across group).
- Use portrait rather than landscape orientation.
- Include all exhibits, graphs and/or figures after the text on separate pages, labeled, and referenced in the text. Once again portrait orientation only, if possible.
- Staple pages at top left corner (only).
Pages limits (maximums) are as follows:

- Be brief and concise!
- Homework assignments. Ten pages total, text and calculations (including exhibits).
- Final class project. Six pages text; six pages exhibits.

All documents must be submitted as hard copy on the assigned date. If it is necessary for you to email documents to me, use **pdf format only** and be sure formatting for the pdf documents conforms to the requirements indicated here. Do not forget to include your name on any email attachments.