



Shanghai Jiao Tong University

AC410 Financial Statement Analysis

Instructor:	Zhenhua Chen	Email:	zhenhuachen@ sandiego.edu
Instructor's Home Institution:	University of San Diego	Office:	TBD
Office Hours:	TBD		
Term:	December 16, 2019- January 7, 2020	Credits:	4 units
Classroom:	TBD	Teaching Assistant(s):	TBD
Class Hours:	Monday through Friday, 160 mins per teaching day		
Discussion Sessions:	2 hours each week, conducted by teaching assistant(s)		
Total Contact Hours:	64 contact hours (1 contact hour = 45 mins, 2880 mins in total)		
Required Texts (with ISBN):	<i>Financial Statement Analysis and Security Valuation</i> , 5th edition, by Stephen Penman, ISBN: 978-0078025310		
Prerequisite:	ACC311 Financial Accounting or equivalent (Recommended)		



Course Overview

This course focus on the analysis of financial statements for evaluating firm performance and risk. The primary emphasis is on equity valuation, with a focus on developing and applying methods for valuing firms using financial statement analysis.

The course has the very practical emphasis. The methods of *fundamental analysis* will be examined in detail. Topics include, but are not limited to: models of shareholder value, traditional ratio analysis, a comparison of accrual accounting and discounted cash flow approaches to valuation, the analysis of profitability, growth and valuation generation in a firm, diagnosing accounting quality, forecasting earnings and cash flows, pro-forma analysis for strategy and planning, and the determination of price/earnings (P/E) and market-to-book (P/B) ratios.

The course is of interest to those contemplating careers in equity research, security analysis, consulting, public accounting, auditing, and corporate finance.

Course Goals

By the end of the course students should have answers to the following questions:

- How are fundamental values (or “intrinsic values”) estimated?
- How does one pull apart the financial statements to get at the relevant information for valuing equities?
- What is the relevance of cash-flows? Of dividends? Of earnings? Of book values? How are these measures treated in a valuation
- What is growth? How does one analyze growth? How does one value a growth firm?
- Page 3 of 5
- What are the pitfalls in buying growth?
- How does one challenge the growth expectations implicit in stock prices?
- How does ratio analysis help in valuation?
- How does profitability tie into valuation?
- How does one analyze the quality of financial reports? How can the accounting trip you up?
- How does one deal with the accounting methods used in financial statements?
- How is financial analysis developed for strategy and planning?
- What determines a firm's P/E ratio? How does one calculate what the P/E should be?
- What determines a firm's market-to-book (P/B) ratio? How does one calculate what the P/B should be?
- How does one evaluate risk? For equity? For debt?
- How does one evaluate an equity research report? What does a good one look like?
- How does one trade on fundamental information?



Course Expectations

- Students are expected to attend all classes and be responsible for all materials covered in class. Unexcused absence not only hurts your attendance score but also may have a negative impact on your exam performance.
- Students are expected to complete and submit homework independently. Students can work together to discuss homework, but submission must be done on an individual basis.
- No electronics are allowed in class unless permitted by the instructor.

Grading Policy

Class Attendance	10%
Mid-term exam	20%
Assignment	30%
Final exam	40%

Grading Scale is as follows:

Number grade	Letter grade	GPA
90-100	A	4
85-89	A-	3.7
80-84	B+	3.3
75-79	B	3
70-74	B-	2.7
67-69	C+	2.3
65-66	C	2
62-64	C-	1.7
60-61	D	1
≤59	F (Failure)	0



Class Schedule (Subject to Change)

Day	Lecture	Chapter
Day 1	Introduction to financial statement analysis and valuation	1&2
Day 2	How Financial Statements Are Used in Valuation	3
Day 3	Cash vs. Accrual Accounting, and Discounted Cash Flow Variation	4
Day 4	Accrual Accounting and Valuation: Pricing Book Values	5
Day 5	Accrual Accounting and Valuation: Pricing Earnings	6
Day 6	Valuation and Active Investing	7
Day 7	Midterm exam	
Day 8	Viewing the Business Through the Financial Statements	8
Day 9	The Analysis of the Statement of Shareholders' Equity	9
Day 10	The Analysis of the Balance Sheet and Income Statement	10
Day 11	The Analysis of the Cash Flow Statement	11
Day 12	The Analysis of Profitability	12
Day 13	The Analysis of Growth and Sustainable Earnings	13
Day 14	The Value of Operations	14
Day 15	Final exam	