

Financial Accounting and Security Analysis

May 2011 Module 1
Section 46-619
8:30-12 and 1:15-5 MTW
Room TBA

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<http://www.cmu.edu/blackboard/>

Course Objective

This course is designed to improve your ability to analyze financial reports and value companies. After completing this course, you will be brought up to date on the financial accounting framework relevant for a professional analyst, including particular areas relevant to the financial analysis of banking institutions. Further, you will gain two valuable tools in your skill set: (1) analysis of profitability and growth using financial statement; and (2) fundamental-based equity valuation principles.

Course Material

Main Textbook:

Financial Accounting for MBAs, fourth edition, Cambridge Business Publishers, 2011.
ISBN-13 = 978-1-934319-34-5

Course website

Blackboard website (<http://www.cmu.edu/blackboard/>) contains comprehensive, up-to-date course information, and additional reading material.

Course Packet

Contains syllabus, case exercises and related readings

Office Hours

Variable: By appointment.

Evaluation and Grading

In-Class Exercises (Group)	30%
Take-home Final Exam (individual)	60%
Class Participation	10%

In-Class Exercises Each team will participate in four or five in-class exercises covering six class sessions.

Take Home Final Exam is designed to both reinforce your basic understanding of the accounting and valuation principles and to allow you to apply what you learned to practical settings. The exam will be assigned at module end and due approximately one month afterwards.

Class Participation

Students are encouraged to participate in and contribute to our class discussions on concepts, techniques, and real-world companies used as class examples. Also good citizenship in your teamwork is a part of your class participation.

Course Policies

University and Tepper School rules regarding student conduct are expected and enforced.

**46-619 Financial Accounting and Securities Analysis
May 2011 Module 1 Tentative Class Schedule**

Session 1

- Lecture (75 minutes): Financial Accounting Environment and Basic Financial Statements
 - Reading: textbook modules 1 and 2
- In class exercises (45 minutes)
 - HBS case: identifying industries
 - HBS case: cash flow statements: three examples
- Case debriefing and Summary (60 minutes)

Session 2

- Lecture (75 minutes): Analysis of Operating Income Reporting
 - Reading: textbook module 5
- In class exercises (45 minutes)
 - HBS case: The Talbots, Inc., Accounting for Goodwill
- Case debriefing and Summary (60 minutes)

Session 3

- Lecture (75 minutes): Analysis of Inter-corporate Investments
 - Reading: textbook module 7
- In class exercises (45 minutes)
 - Bank of America: fair value reporting
- Case debriefing and Summary (60 minutes)

Session 4

- Lecture (75 minutes): Analysis of Owner- and Non-owner Financing
 - Reading: textbook models 8 and 9
- In class exercises (45 minutes)
 - Case: Citigroup Capital Arithmetic
- Case debriefing and Summary (60 minutes)

Session 5

- Lecture (75 minutes): Financial Statement Analysis of Profitability and Growth
 - Reading: textbook module 4
- In class exercises (45 minutes)
 - Financial and Operating Leverage Choices: Lubrizol and Netflix
- Case debriefing and Summary (60 minutes)

Session 6

- Lecture (75 minutes): Fundamental-based Equity Valuations
 - Reading: textbook model 12
- In class exercises (45 minutes)
 - Fundamental-based Valuation: Lubrizol and Netflix
- Case debriefing and Summary (60 minutes)