



APPLIES TO ACADEMIC YEAR 2004/2005

## GRA 6210 Financial Statement Analysis and Valuation

### Program

Master of Business and Economics Program, Master of Science in Business, Master of Science in Business (Accounting and Tax), Specialization Course

### Responsible for the course

Sverre Dyrnes

### Department

Accounting - Auditing and Law

### Term

According to study plan

### ECTS Credits

6

### Objective

The collapse of Enron and Andersen. The bankruptcy of WorldCom. Accounting irregularities at Qwest and Ahold. These events have brought to our attention more than ever the significance of accounting. This course provides both a sound theoretical framework for financial statement analysis and corporate valuation and a thorough discussion of how valuations are actually done in the real world.

This course explores techniques of security analysis and focuses on the analysis of equity securities. Security analysis is an important task for research analysts, investment bankers, corporate finance specialists, mergers and acquisitions analysts, venture capitalists, and individual investors.

In this course we will present the theory behind the valuation methods. Analysts must also understand how to get information they need to be effective in their roles. We will also discuss the many different sources from which analysts can obtain information.

### Prerequisites

Compulsory undergraduate courses in accounting and finance

### Compulsory literature

Soffer, Leonard C. and Robin J. Soffer. 2003. *Financial Statement Analysis: A Valuation Approach*. Upper Saddle River, NJ: Prentice Hall.

Selected articles and/or chapters from books. Further information regarding the final list of compulsory literature will be given in class and on the course homepage/Blackboard.

### Recommended literature

Benninga, Simon Z. and Oded. H. Sarig. 1997. *Corporate finance: A valuation approach*. New York: McGraw-Hill.

Copeland, Thomas E., Tim Coller and Jack Murrin. 2000. *Valuation: Measuring and managing the value of companies*. 3rd ed. New York: Wiley.

Penman, Stephen H. 2004. *Financial Statement Analysis & Security Valuation*. 2nd ed. Boston, Mass.: McGraw-Hill

### Course outline

The course has the following outline:

- An Introduction to Security Analysis
- Accounting Analysis and Accounting Flexibility
- Business and Financial Statement Analysis
- Cash Flow Based Valuation
- Multiples Valuation

### Computer-based tools

Internet and worksheets, Blackboard/homepage

**Course structure**

There are 36 contact hours and the course will start with lectures to create a basic understanding of how to interpret accounting information and how to use basic valuation models. At the start of the course the students will be allocated to teams consisting of 2-3 student. During the course the teams will be required to work with and to present case solutions.

**Evaluation**

Your course grade will be based on the following activities and weights:

30 % is based on individual and/or group class work (in the form of a mix of some/all of the following: hand in of case write ups, projects, and/or homeworks; presentations of case write ups, projects, and/or homeworks; class participation; in class midterm exam and/or quizzes) and 70% is based on a written final term paper. Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that whilst attendance is not compulsory, it is the student's responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or mandatory literature. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.)

**Evaluation code(s)**

GRA62104 (100%)

**Aids at the examination**

Financial calculator (e.g. HP 17B), Bilingual Dictionary

**Makeup exam**

Next time the course is offered