



GRADUATE SCHOOL

GM1410 Financial Statement Analysis and Corporate Valuation, 7.5 credits

Företagsanalys och värdering, 7,5 högskolepoäng

Second Cycle

Confirmation

This course syllabus was confirmed by Graduate School on 2017-11-10 and was last revised on 2020-11-11 to be valid from 2021-01-18, spring semester of 2021.

Field of education: Social Sciences 100%

Department: Graduate School

Position in the educational system

The course Financial Statement Analysis and Corporate Valuation, is a course within the Master of Science programmes at the Graduate School, School of Business, Economics and Law, University of Gothenburg.

Main field of studies

Accounting and Financial Management

Specialization

A1N, Second cycle, has only first-cycle course/s as entry requirements

Entry requirements

To be eligible for the course Financial Statement Analysis and Corporate Valuation the participant must fulfil the entrance qualifications for the Master of Science programme in Accounting and Financial Management at the Graduate School. For programme specific entrance requirements, see programme syllabus.

Learning outcomes

On successful completion of the course the student will be able to:

1. identify and analyze common financial performance indicators, value drivers and risk measures, and relate these factors to the value enhancement process

2. create pro forma financial statements and apply and evaluate various valuation models
3. identify different accounting quality measures and diagnostics, and recognize and discuss accounting quality issues arising from management's accounting choices
4. recognize and discuss relevant research in the field.

Course content

This course teaches students how to carry out an analysis of a firm's financial statements for the purpose of understanding current and historical performance, forecasting future performance and thus estimating firm value. By approaching corporate valuation through fundamental analyses of financial accounts and a sound understanding of accounting – including accounting choices and reporting quality, a potential investor is better equipped to understand the risk and fundamental value of his or her investments. This course emphasizes the usefulness of earnings measures and contrasts them with cash flow-based models, thus highlighting the role of accounting in a valuation setting.

Apart from taking a practical approach to financial statement analysis and valuation, academic literature on the theoretical foundations of the subject matter and related empirical findings, is explored.

The course contains two modules:

Module 1: Taking a historical perspective, this module focuses on the analysis of historical financial accounting information, as provided in firms' financial statements. Past performance, growth and risk are analyzed and key value drivers identified. Further, analysis of potential adjustments to reported number and these adjustments' effect on financial ratios. The adjusted financial statements constitute pro forma statements used for firm valuation.

Module 2: Taking a forward-looking perspective. This module focuses on forecasting future performance, taking into account the firm's growth potential and risk profile to create a complete valuation.

Form of teaching

The teaching consists of lectures and seminars.

Language of instruction: English

Assessment

The learning outcomes are assessed in two written assignments (group and individual), which both will result in a written report. Further, the group report shall be orally presented in in class. The mark for the group assignment is based on both the report and the presentation (70% for the report and 30% for the presentation). Both assignments cover learning outcomes 1, 2, 3 and 4. Although, the group assignment focuses more on learning outcome 1 and 4 and the individual assignment concentrates on learning outcome 2 and 3.

Mandatory seminars are clearly indicated in the course schedule. Absence from mandatory elements of the course can be substituted with alternative assignments.

A failed assignment can be supplemented to a pass grade.

A student who has taken two exams in a course or part of a course without obtaining a pass grade is entitled to the nomination of another examiner. The student needs to contact the department for a new examiner, preferably in writing, and this should be approved by the department unless there are special reasons to the contrary (Chapter 6 Section 22 of the Higher Education Ordinance).

If a student has received a recommendation from the University of Gothenburg for special educational support, where it is compatible with the learning outcomes of the course and provided that no unreasonable resources are required, the examiner may decide to allow the student to sit an adjusted exam or alternative form of assessment.

In the event that a course has ceased or undergone major changes, students are to be guaranteed at least three examination sessions (including the ordinary examination session) over a period of at least one year, but no more than two years, after the course has ceased/been changed.

The number of examinations is limited to five.

Grades

The grading scale comprises: Excellent (A), Very good (B), Good (C), Satisfactory (D), Sufficient (E) and Fail (F).

The grade (A-E) corresponds to the total score a student obtains on the group assignment (15% of final grade) and the individual assignment (85% of final grade). To receive a pass grade (A-E) $\geq 50\%$ points is required. The scale is tied to fixed score intervals:

A: 85%-100%;

B: 75%-84%;

C: 68%-74%;
D: 60%-67%;
E: 50%-59%;
F: <50%

Course evaluation

The course will be evaluated upon completion. The results of and possible changes to the course will be shared with students who participated in the evaluation and students who are starting the course.