



湖北工业大学
HUBEI UNIVERSITY OF TECHNOLOGY

Course Title	Financial Statement Analysis and Business Valuation
Course Code	FNCE 5124
Semester	Winter 2027
Course Length	8 Weeks, 60 Contact Hours
Credits	4
Instructor	TBA
Office	TBA
Email	TBA
Prerequisite(s)	Intermediate Financial Accounting and Corporate Finance, or equivalent graduate-level coursework. Students should have a sound understanding of financial statements, accounting principles, the time value of money, basic financial analysis, and spreadsheet-based calculations.
Antirequisite	FNCE 5122 Financial Statement Analysis and Business Valuation (4 Weeks)

Course Description:

This graduate-level course examines how investors, creditors, corporate managers, and other decision-makers use financial statements and complementary public information to evaluate firm performance, financial risk, and intrinsic business value. It develops an integrated analytical framework for assessing the usefulness, quality, comparability, and reliability of corporate disclosures, including annual reports, management discussion and analysis, financial statement notes, earnings announcements, and other publicly available information.

The course emphasizes advanced financial statement analysis, accounting quality assessment, profitability analysis, cash-flow evaluation, financial forecasting, and business valuation. Students investigate the implications of accounting policies, managerial reporting incentives, estimation uncertainty, and potential earnings management for the interpretation of reported financial performance. Analytical topics include ratio analysis, fundamental analysis, cash-flow analysis, revenue recognition, inventory valuation, non-current asset analysis, intangible assets, leases, provisions, contingent liabilities, and off-balance-sheet exposures.

Building on historical financial evidence, students develop pro forma financial statements and apply valuation approaches including discounted cash flow valuation, residual income valuation, and relative valuation using comparable companies and market multiples. The course also addresses the estimation of the cost of capital,

terminal value assumptions, valuation sensitivity, and the relationship between accounting performance and economic value creation.

Through research-based assignments, financial modeling, and case studies involving publicly listed companies, students develop the ability to formulate defensible forecasts, evaluate competing valuation assumptions, and communicate evidence-based investment and credit recommendations. Particular attention is given to analytical rigor, professional judgment, corporate governance, ethical financial reporting, and the limitations of financial information in complex business environments.

Course Goals:

Students who successfully complete this course will demonstrate competency in the following general education core goals:

- **Critical Thinking Skills** – Students will engage in analytical thinking, demonstrating the ability to critically evaluate, synthesize, and apply knowledge to complex problems, and construct well-reasoned solutions and arguments.
- **Independent Research and Inquiry** – Students will conduct independent research, utilizing academic resources to explore relevant topics, formulating research questions, analyzing data, and presenting findings in a coherent, scholarly manner.
- **Problem-Solving and Application** – Students will apply theoretical concepts and methodologies learned in the course to real-world problems, demonstrating the ability to develop practical solutions informed by academic inquiry.
- **Global and Cultural Awareness** – Students will gain awareness of the global and cultural contexts relevant to the course, appreciating diverse perspectives and considering the implications of their studies in a broader, international context.

Student Learning Outcomes:

Upon completion of this course, students will be able to:

- Interpret financial statements, accounting policies, explanatory notes, and relevant non-financial disclosures within the context of a firm's business model and industry environment;
- Assess accounting quality and identify potential earnings management, reporting distortions, estimation uncertainty, and financial statement comparability issues;
- Calculate and critically interpret profitability, operating efficiency, liquidity, leverage, growth, and market-based financial ratios;
- Reconcile accounting earnings with operating cash flows and evaluate accruals, cash conversion, and sustainable cash generation;
- Analyze revenue recognition, inventory valuation, property, plant and equipment, intangible assets, leases, provisions, pensions, and contingent or off-balance-sheet exposures;
- Reformulate financial statements for analytical purposes and distinguish operating activities from financing activities;

- Develop integrated pro forma income statements, balance sheets, and cash-flow forecasts supported by explicit operating assumptions;
- Estimate the cost of equity, cost of debt, weighted average cost of capital, and terminal value while explaining the risks associated with these estimates;
- Apply discounted cash flow, residual income, and comparable-company valuation methods and reconcile differences across valuation approaches;
- Conduct sensitivity and scenario analyses and communicate a reasoned valuation range and investment or credit recommendation in a professional report or presentation.

Textbooks/Supplies/Materials/Equipment/ Technology or Technical Requirements:

Palepu, K. G., Healy, P. M., & Peek, E. (2022). *Business Analysis and Valuation: IFRS Edition* (6th ed.). Cengage Learning.

Penman, S. H. (2012). *Financial Statement Analysis and Security Valuation* (5th ed.). McGraw Hill.

Subramanyam, K. R. (latest ed.). *Financial Statement Analysis* (11th ed.). McGraw Hill.

Damodaran, A. (2025). *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset* (4th ed.). Wiley.

Course Requirements:

Class Preparation, Reading Responses, and Participation (10%)

Students are expected to complete assigned readings before each lecture, prepare questions on important analytical issues, and contribute to discussions and case-based exercises. Participation will be evaluated according to preparation, analytical reasoning, engagement with course concepts, and the quality of contributions.

Financial Reporting Quality Memo - Individual Assignment (15%)

Students will select a publicly listed company and prepare an analytical memo evaluating its accounting policies, disclosure quality, estimation practices, and potential reporting risks. The memo should use specific evidence from financial statements and accompanying disclosures and explain how the identified issues may affect the interpretation of financial performance.

Financial Statement Analysis Report (20%)

Students will conduct a structured analysis of a selected company's financial performance over a minimum of three years. The report should include common-size statements, trend analysis, profitability and efficiency ratios, liquidity and solvency measures, cash-flow analysis, and appropriate peer or industry comparisons.

Students must explain the economic drivers behind the results rather than simply present calculations. Conclusions should be supported by financial evidence and relevant business context.

Business Valuation Project (30%)

Students will develop an integrated financial forecast and valuation model for a publicly listed company. The project should incorporate historical financial statement

analysis, explicit forecasting assumptions, pro forma financial statements, cost-of-capital estimation, and appropriate valuation methods.

The final submission must document the model structure, assumptions, data sources, valuation results, sensitivity and scenario analyses, limitations, and final valuation conclusion. Students should demonstrate the ability to reconcile differences between valuation approaches and explain the implications of uncertainty for the estimated value.

Case Analysis and Professional Presentation (10%)

Students will analyze a financial reporting or valuation case and present a recommendation supported by accounting evidence, financial analysis, and valuation reasoning. Presentations should distinguish observed facts from assumptions and demonstrate the ability to defend analytical judgments in response to questions.

Final Examination (15%)

The final examination will assess students' conceptual understanding, quantitative competence, interpretation of financial information, and ability to apply financial statement analysis and valuation techniques to unfamiliar business situations.

Assessments: Activity	Percent Contribution
Class Preparation, Reading Responses, and Participation	10%
Financial Reporting Quality Memo (Individual)	15%
Financial Statement Analysis Report	20%
Business Valuation Project	30%
Case Analysis and Professional Presentation	10%
Final Examination	15%

Grading:

Final grades will be based on the sum of all possible course points as noted above.

Grade	Percentage of available points
A	94-100
A-	90-93
B+	87-89
B	84-86
B-	80-83
C+	77-79
C	74-76
C-	70-73
D	64-69
D-	60-63
F	0-59

Course Schedule:

The schedule of activities is subject to change at the reasonable discretion of the instructor. Minor changes will be announced in class, major ones provided in writing.

FNCE 5124 Schedule		
Lecture	Topic	Readings
L1	Analytical Framework: Financial Statements, Business Models, and Valuation	<i>Palepu, Healy & Peek (2022)</i> : Opening material on business analysis, financial statement analysis, and valuation.
L2	Information Sources, Disclosure Architecture, and Capital-Market Context	<i>Palepu, Healy & Peek (2022)</i> : Business analysis framework and the use of corporate reporting information. Supplementary: Annual reports and disclosure materials from selected listed companies.
L3	Business Strategy, Industry Economics, and Competitive Position	<i>Palepu, Healy & Peek (2022)</i> : Strategy analysis and its implications for financial performance and valuation. Supplementary: Porter, "The Five Competitive Forces That Shape Strategy."
L4	Accounting Quality, Reporting Incentives, and Earnings Management	<i>Palepu, Healy & Peek (2022)</i> : Accounting analysis. <i>Subramanyam (11th ed.)</i> : Financial reporting quality and accounting analysis.
L5	Reformulating Financial Statements for Analysis	<i>Penman (2012)</i> : Financial statement analysis, reformulation, and the separation of operating and financing activities.
L6	Common-Size, Trend, and Ratio Analysis	<i>Subramanyam (11th ed.)</i> : Financial statement analysis, comparative analysis, and financial ratios.
L7	Profitability, Return on Invested Capital, and DuPont Decomposition	<i>Penman (2012)</i> : Profitability analysis, return measures, and the interpretation of accounting-based performance.
L8	Growth Analysis, Operating Efficiency, and Sustainable Performance	<i>Subramanyam (11th ed.)</i> : Activity, profitability, and growth analysis. <i>Palepu, Healy & Peek (2022)</i> : Financial analysis in the context of business performance.
L9	Liquidity, Solvency, Leverage, and Credit Risk	<i>Subramanyam (11th ed.)</i> : Liquidity, solvency, leverage, and financial risk analysis.
L10	Cash-Flow Analysis, Accruals, and Cash Conversion	<i>Subramanyam (11th ed.)</i> : Cash-flow analysis. <i>Penman (2012)</i> : Accruals, earnings, and cash-flow interpretation.
L11	Revenue Recognition, Contract Assets, and Receivables	<i>Palepu, Healy & Peek (2022)</i> : Accounting analysis and assessment of reported operating performance. <i>Subramanyam (11th ed.)</i> : Revenue and receivables analysis. Supplementary: IFRS 15 or applicable Chinese accounting standards.
L12	Inventory Accounting, Cost Flows, and Inventory Risk	<i>Subramanyam (11th ed.)</i> : Inventory analysis and implications for profitability and liquidity.

L13	Property, Plant and Equipment, Depreciation, and Impairment	<i>Palepu, Healy & Peek (2022)</i> : Accounting analysis. Supplementary: IAS 2 or applicable Chinese accounting standards. <i>Subramanyam (11th ed.)</i> : Long-lived asset analysis. <i>Palepu, Healy & Peek (2022)</i> : Accounting analysis and the interpretation of asset-related reporting choices. Supplementary: IAS 16 and IAS 36, or applicable Chinese accounting standards.
L14	Intangible Assets, R&D, Goodwill, and Acquisition Accounting	<i>Palepu, Healy & Peek (2022)</i> : Accounting analysis and business acquisitions. <i>Damodaran (2025)</i> : Valuation considerations for firms with intangible assets.
L15	Leases, Provisions, Pensions, Guarantees, and Off-Balance-Sheet Exposure	<i>Subramanyam (11th ed.)</i> : Liability, commitment, and financial risk analysis. <i>Palepu, Healy & Peek (2022)</i> : Accounting analysis. Supplementary: IFRS 16 and IAS 37, or applicable Chinese accounting standards.
L16	Tax Analysis, Deferred Taxes, and Effective Tax Rates	<i>Subramanyam (11th ed.)</i> : Tax-related financial statement analysis. <i>Penman (2012)</i> : Tax effects in financial analysis and valuation.
L17	Forecasting Fundamentals and Driver-Based Financial Projections	<i>Palepu, Healy & Peek (2022)</i> : Forecasting and pro forma analysis. <i>Penman (2012)</i> : Forecasting financial statements and evaluating value drivers.
L18	Integrated Pro Forma Income Statements, Balance Sheets, and Cash Flows	<i>Palepu, Healy & Peek (2022)</i> : Forecasting and valuation. <i>Penman (2012)</i> : Financial statement forecasting and the links between accounting measures and valuation.
L19	Forecast Risk, Scenario Design, and Sensitivity Analysis	<i>Damodaran (2025)</i> : Valuation inputs, uncertainty, and sensitivity analysis. <i>Palepu, Healy & Peek (2022)</i> : Forecasting and valuation.
L20	Time Value of Money, Risk, and Cost of Capital	<i>Damodaran (2025)</i> : Risk, required returns, and cost-of-capital estimation. <i>Penman (2012)</i> : Required returns and the valuation framework.
L21	Discounted Cash Flow Valuation: FCFF, FCFE, and Terminal Value	<i>Damodaran (2025)</i> : Discounted cash flow valuation, free cash flow, and terminal value. <i>Palepu, Healy & Peek (2022)</i> : Business valuation. <i>Penman (2012)</i> : Cash-flow-based valuation concepts.
L22	Relative Valuation: Trading Multiples and Comparable-Firm Selection	<i>Damodaran (2025)</i> : Relative valuation and valuation multiples.

L23	Residual Income Valuation, Value Drivers, and Model Reconciliation	<i>Palepu, Healy & Peek (2022)</i> : Comparable-company analysis and valuation. <i>Penman (2012)</i> : Residual income and equity valuation. <i>Palepu, Healy & Peek (2022)</i> : Valuation methods and interpretation of valuation results.
L24	Integrated Valuation Case Workshop and Investment Recommendation	<i>Palepu, Healy & Peek (2022)</i> : Integrated business analysis and valuation. <i>Damodaran (2025)</i> : Application of valuation methods and assessment of valuation assumptions. Supplementary: Instructor-provided company case and public filings.
L25	Project Presentations, Synthesis, and Review of Analytical Judgment	Review relevant readings from <i>Palepu, Healy & Peek (2022)</i> , <i>Penman (2012)</i> , <i>Subramanyam (11th ed.)</i> , and <i>Damodaran (2025)</i> assigned throughout the course. Students should connect financial statement evidence, forecasting assumptions, valuation methods, and investment conclusions.

Accommodation Statement:

Academic accommodations may be made for any student who notifies the instructor of the need for an accommodation. It is imperative that you take the initiative to bring such needs to the instructor's attention, as he/she is not legally permitted to inquire. Students who may require assistance in emergency evacuations should contact the instructor as to the most appropriate procedures to follow.

Academic Integrity Statement

Each student is expected to maintain the highest standards of honesty and integrity in academic and professional matters. The University reserves the right to take disciplinary action, up to and including dismissal, against any student who is found guilty of academic dishonesty or otherwise fails to meet the standards. Any student judged to have engaged in academic dishonesty in coursework may receive a reduced or failing grade for the work in question and/or for the course.

Academic dishonesty includes, but is not limited to, dishonesty in quizzes, tests, or assignments; claiming credit for work not done or done by others; hindering the academic work of other students; misrepresenting academic or professional qualifications within or without the University; and nondisclosure or misrepresentation in filling out applications or other University records.

Other Items:

Attendance and Expectations

All students are required to attend every class, except in cases of illness, serious family concerns, or other major problems. We expect that students will arrive on time, be prepared to listen and participate as appropriate, and stay for the duration of a

meeting rather than drift in or out casually. In short, we anticipate that students will show professors and fellow students maximum consideration by minimizing the disturbances that cause interruptions in the learning process. This means that punctuality is a must, that cellular phones be turned off, and that courtesy is the guiding principle in all exchanges among students and faculty. You will be responsible for the materials and ideas presented in the lecture.

Assignment Due Dates

All written assignments must be turned in at the time specified. Late assignments will not be accepted unless prior information has been obtained from the instructor. If you believe you have extenuating circumstances, please contact the instructor as soon as possible.

Make-Up Work

The instructor will not provide students with class information or make-up assignments/quizzes/exams missed due to an unexcused absence. Absences will be excused and assignments/quizzes/exams may be made up only with written documentation of an authorized absence. Every effort should be made to avoid scheduling appointments during class. An excused student is responsible for requesting any missed information from the instructor and setting up any necessary appointments outside of class.

Access, Special Needs, and Disabilities

Please notify the instructor at the start of the semester if you have any documented disabilities, a medical issue, or any special circumstances that require attention, and the school will be happy to assist.