Valuation and Financial Statement Analysis, B9010 (PhD), Fall 2020

Course Syllabus
This Draft: August 26, 2020

I. CONTACT DETAILS

Prof. Doron Nissim
Email: dn75@columbia.edu
Office hours (604 Uris): By appointment – please send me an email to request an in-person or a Zoom meeting. In your email, please provide info re your availability.

II. COURSE ADMINISTRATION

The course material consists of detailed presentations, class notes (mostly summaries/review of research that I prepared), and many academic studies. All items will be posted to Canvas (in separate subdirectories of the “Files” webpage) before the respective topics are covered. The following book is highly recommended as additional reading: Valuation: Measuring and Managing the Value of Companies, Wiley Finance, 7th Edition.

The format of the classes will be lecture (about 80% of class time) with integrated student presentations (20%). Nine of the twelve class meetings (9/11, 9/18, 10/2, 10/9, 10/16, 10/30, 11/6, 11/13, and 11/20) will be on Fridays, 8:30-11:45am, in Uris Hall 333; these meetings will follow the “Hyflex” format (students may still select merely Online (Life) participation). The other three class meetings—to be scheduled considering students’ preference—will be taught Online (Life). All classes will be recorded, with the recording made available within 24 hours after class.

Students presentations

I will assign academic papers to be presented by groups of students (a total of 10 papers, which are listed in the detailed outline below; 2-3 students per group, which will be created using a random assignment in Zoom). Each presentation should last about 30 minutes. In the presentation, you are expected to
(1) Clearly state the research question, explain why it is important and the potential contribution given prior work;
(2) Describe the methodology used to address the research question and discuss potential issues and limitations;
(3) Identify the data sources;
(4) Present the key results and inferences and evaluate their appropriateness; and
(5) Be ready to answer any question related to the paper from the professor or students.
Grade

The grade for the course will be based on the quality of the presentation, class participation, and—primarily—a detailed, individual research proposal. The research proposal is due on December 18 (to be posted to Canvas). It should address the first three items listed in the “Student presentations” section above with respect to a new research idea. It should be around 2-3 single-space pages.

Objectives

The material that I developed for this course addresses questions that come up in real life financial analysis and valuation. Over the last twenty five years I have addressed thousands of questions by students, analysts and portfolio managers related to these topics, and a primary objective of the course is to give you the knowledge (and reference material) to be able to address similar issues when encountering them in your studies and career. Another important objective is to improve your ability to understand and evaluate academic research that provides insight on financial analysis and valuation. This will be achieved through the class lectures, your work on the class presentation and research proposal, and by listening to your peers’ presentations. A final objective is to have you gain some practice in presenting and discussing research.

III. DETAILED COURSE OUTLINE

**Topic/presentation: 1. Financial Reporting**

This material was covered in the MSAFA precourse. Please review the presentation, especially if you did not attend the precourse. We will not discuss this presentation in class.

**Topic/presentation: 2. Earnings Quality**

Readings:

Student presentation:

Time: About two class meeting (6 hours)
**Topic/presentation: 3. Non-GAAP Reporting**

**Readings:**

**Student presentation:**

**Time:** About half class meeting (1.5 hours)

**Topic/presentation: 4. Reformulated Financial Statements and Profitability Analysis**

**Readings:**

**Student presentation:**

**Time:** About 2 class meetings (6 hours)

**Topic/presentation: 5. Fundamental Risk Analysis**

**Readings:**

**Student presentation:**

**Time:** About one class meeting (3 hours)


**Readings:**

**Student presentation:**
Time: About half class meeting (1.5 hours)

**Topic: 7. Forecasting**

**Presentations:**
- 7.1 Information for Forecasting
- 7.2 Forecasting Financial Statements

**Readings:**

**Student presentation:**

Time: About one class meeting (3 hours)

**Topic/presentation: 8. Relative Valuation**

**Readings:**

**Student presentation:**

Time: About one class meeting (3 hours)

**Topic: 9. Fundamental Valuation**

**Presentations:**
- 9.1 Fundamental Valuation Models
- 9.2 Implementing Fundamental Valuation

**Readings:**
Student presentation:

**Time:** About one class meeting (3 hours)

**Topic/presentation: 10. Cost of Capital**

**Readings:**

**Students presentation:**

**Time:** About one class meeting (3 hours)

**Topic/presentation: 11. Stock Return Predictability**

**Readings:**

**Students presentation:**

**Time:** About one class meeting (3 hours)