

SESSION 1 - INTRODUCTION & ORIENTATION

(AUGUST 26, 2025)

ACC 6250-602
Instructor: Tai Thornock (pronouns: he/him)



TAI THORNOCK

(PRONOUNS: HE/HIM)

WHERE FROM?

CA, UT, FRANCE

BACHELOR IN ACCOUNTING (1995)

MASTER IN EDUCATION (2023)

PRACTICING CAO/CFO



CPA



WHERE TO? TEACH

BE INVOLVED IN THE UVU COMMUNITY

HELP INDIVIDUALS



PROFESSOR INTRODUCTION

Who am I? A CPA/CAO/CFO who also always wanted to TEACH



2 years
San Francisco, CA
Real Estate Acctg



7 years
SLC UT, Paris FR, LA CA
Audit Mgr-Public Acctg



9 Years
Pasadena CA
CFO-Home Loans Div



2 Years
Irvine, CA
CFO-Greenlight Loans



10 Years
Provo UT home office
CAO and CFO



CLASS INTRODUCTION

- **What is this class about?**
 - **NOT** debit and credits
 - How companies report their business to investors
 - What decisions management makes in their reporting
 - What is the effect of their decisions on company value
 - Learn to analyze (i.e. find meaning in) company reports

STUDENT INTRODUCTIONS

- Objectives
 - Get to know the commonalities and diversity of the class
 - Begin to understand what you want the outcome of this class to have on your life

- Get in groups of 5
 - Introduce yourselves to each other
 - What is it about you? What is your vibe?
 - Where do you come from?
 - Where do you want to go?

Getting to Know You

CLASS OVERVIEW

- Objectives
 - Understand the structure and expectations of the class
 - Get oriented for the work you will do
 - Syllabus
 - Canvas
 - Class schedule
-
- Office hours: Tuesdays and Thursdays 4:00–5:40 pm (KB 415A) or e-mail to schedule virtual appointments.

EXPECTATIONS FOR GRADUATE COURSEWORK - ANDRAGOGY

- Principles of Andragogy

Adults Prefer Learning Situations That

- Are Practical and Problem-Centered
- Promote Their Positive Self-Esteem
- **Integrate New Ideas with Existing Knowledge**
- Show Respect for the Individual Learner
- **Capitalize on Their Experience**
- Allow Choice and Self-Direction

EXPECTATIONS FOR GRADUATE COURSEWORK - PARTICIPATION

FLIPPED CLASSROOM FORMAT

What is the purpose of a flipped classroom?

A flipped classroom is structured around the idea that lecture or direct instruction is not the best use of class time. Instead, students **encounter information before class**, freeing up **class time for discussion and higher-level thinking activities**.

EXPECTATIONS FOR GRADUATE COURSEWORK - PARTICIPATION

- **Before Class** - Weekly reading quiz (in Canvas)
- **Before Class** - Interactive Journal (occasional spot checks)
 - Take notes on your readings
 - Answer **prompt questions** for your readings
 - Write a reflection about the readings (**include “Big Ideas” and what you want to remember**)
- **During Class** - Contribute to classroom discussions
 - Comment every class (challenge for the introverts)
 - “Share the Air” (challenge for the extroverts)
- **After Class** - Update Interactive Journal
 - Respond to **After-Class Reflection Prompts**
 - Update your notes/reading prompt responses

TERM PROJECT

- Watch Warren Buffett interview about reading annual reports

https://youtu.be/Ky_876v9GsU

- Term Project Instructions

<https://uvu.instructure.com/courses/617066/assignments/8402618>

- Find public financial reporting on [sec.gov](https://www.sec.gov) or the company's Investor Relations websites
 - Form 10-K (Annual Report)
 - Form 10-Q (Quarterly Reports)
 - Form 8-K (Current Reports)

EXPECTATIONS FOR GRADUATE COURSEWORK - GENERATIVE AI (LLMs)

How have you used AI in your classwork?

- Where is it helpful?
- What are the risks?

Ground Rules

- Cite when AI is used. Summarize your prompts.
- Validate the output.
- Emphasis on reflections, personal interpretation, etc.

AUTO MANUFACTURING ACTIVITY

- Form groups of 5
 - Assign an auto manufacturer to each Team
 - Search annual report to collect the data for that company
 - One person from group inputs data into shared Excel file

[Intro Activity Auto Industry Comparison - Fall 2025 Section 602.xlsx](#)

- As a class:
 - Discuss the results
 - What did we learn about these companies and the industry?

PREVIEW NEXT WEEK

- Review Preparation for Next Week (Canvas Session 2 - Earnings Quality)

<https://uvu.instructure.com/courses/617066/pages/session-2-earnings-quality>

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 1 After-Class Reflection Prompts (Choose a or b and c)
 - a. What do you bring to the class (e.g. personal background, skills and interests) that you think will help the overall value of the instruction?
 - b. How do you expect the content of this course to impact your current or future professional pursuits?
 - c. List three publicly-traded companies that you may be interested in researching for your class project and explain why those companies are of interest to you.

SESSION 2 - EARNINGS QUALITY

(SEPTEMBER 2, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP

- <https://www.youtube.com/watch?v=b7S9CTDGXHA>
- Remaining Introductions, if any
 - 2 minutes each, including questions

Getting To Know You

SESSION 1 RECAP

- **Share Session 1 reflection with your neighbor**
 - What do you bring to the class (e.g. background, talents, experience, etc) that you think will help the overall value of the instruction?
 - How do you expect the content of this course to impact your current or future professional pursuits?
 - List three publicly-traded companies that you may be interested in researching for your class project and explain why those companies are of interest to you.

- **Reading Quiz – Answer all three as “true” for full points**

- **Participation**
 - Occasionally, I will create an assignment for the class to submit their reading notes and/or reflection responses
 - If we didn't get to you during class, you can submit reflection response on Teams General Channel Post or Chat (if private) for participation credit.

- **Any unanswered questions about course expectations or syllabus**

RECAP - SESSION 1 AUTO MANUFACTURING ACTIVITY

Auto Manufacturer Exercise

- What did we learn?
 - Annual Reports - Forms 10-K or 20-F (foreign filer)
 - Analytics raise questions
 - Context improves those questions
 - Market Cap and P/E ratios
 - What else?

The whiteboard contains handwritten notes and calculations. At the top, it defines P/E Ratio as $P = \text{Price/Share}$ and $E = \text{Earnings/Share}$. Below this, a calculation shows $8 \cdot 0$ (likely representing a P/E ratio of 8.0). The main calculation is a multiplication: $\text{Earnings } \$1,000,000 \times \text{Multiple } 3 = \text{Value of Company } \$3,000,000$. To the right of the calculations, there are several boxed notes: 'Cross-section Reducing', 'Cost of Reduce Growth Trust Volatility', and 'Beta'.

P/E Ratio $P = \text{Price/Share}$
 $E = \text{Earnings/Share}$

$8 \cdot 0$

Earnings $\$1,000,000$ Cross-section Reducing

\times \times Cost of Reduce Growth Trust Volatility

Multiple 3 Beta

= $\$3,000,000$

Value of Company

SESSION 2 - JIGSAW ACTIVITY

Four Groups

- Discuss your reading notes and answers to prompt questions for your assigned article.

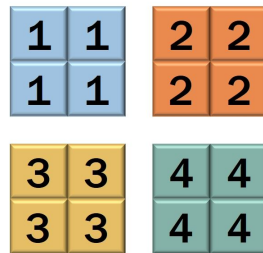
Shuffle Groups (1-2 of initial group join other group)

- Report on the big ideas and answers to prompt questions from your article

JIGSAW

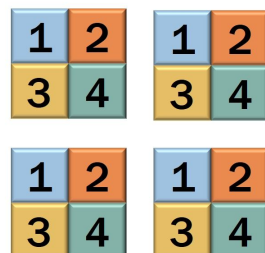
Round 1 – Focus Groups

Divide students into groups and give each group a different text to read and discuss.



Round 2 – Task Groups

Mix the groups so that students can bring their specific focus to a common task or problem.



GROUPS 1 AND 5

THE CONCEPT OF EARNINGS QUALITY - BERNSTEIN & SIEGEL (1979)

1. What is liberal accounting? What is conservative accounting? How can both of these accounting philosophies lead to degraded earnings quality?
 - Group 1: Conservative accounting is to understate earnings and liberal you are overstating earnings with more aggression. Both can distort performance with misrepresentation.
 - To get away with this companies use reserve accounts, IE... Allowance for Bad Debt
2. What is high (good) earnings quality? What factors affect earnings quality?
 - Group 1: Accountants and their compliance to GAAP. Capital investment choices. Factors: Discretionary spending, Dividend payout policies, External economic conditions, and industry structure & competition.
 - Good Controls, discretionary expenses like R and D, competition and industry standards
3. How can business and operational decisions affect earnings quality?
 - Group 1: Variability and discretionary costs. Cut costs that can hurt long term business.
 - Variability in accounting practices, variability in discretionary costs

GROUPS 1 AND 5

THE CONCEPT OF EARNINGS QUALITY - BERNSTEIN & SIEGEL (1979)

Concept of Earnings Quality

Conservative vs Liberal
How? Rev rec, accruals, etc
Affect with Business Decision

- Advertising
- Cut back on maintenance
- Promotions
- Consistent Accrual Policies

Numbers are Trustworthy

Investing

1. Right
2. Predictive
3. Correlated w/ cash flow

GROUPS 2 AND 6

THE MISREPRESENTATION OF EARNINGS - DICHEY ET AL (2016)

- **Is earnings quality controllable? What differentiates between "good" earnings management and "bad" earnings management?**
 - Earnings quality is controllable.
 - About half the factors that affect earnings quality are controllable:
 - a. Accounting Policies
 - b. Internal Control
 - c. Discretionary expenses
 - Reliability, accuracy and consistency
- **What factors create pressure to manage earnings?**
 - Pressure from shareholders, concerns for career, Pressure to reach Performance metrics
 - Bonuses and incentives
- **How can the quality of earnings be identified? Are there red flags to watch for?**
 - Consistent application of accounting practices. A company that consistently meets and exceeds earnings benchmarks. Earnings without accompanying cash flow. Acquisition accounting.
 - Lack of correlation between earnings and cash flows from operations
 - Deviations from the industry norms
 - Consistently beating the earning targets set by analysts and their forecasts
 - Large one time items or frequent one time items
 - Large accruals
 - Earnings not yet received, expenses not yet incurred
 - Too smooth earnings progression
- **What are the consequences of poor earnings quality?**
 - Increased cost of capital
 - Decrease in stock prices
 - Loss of trust
 - Punishment by investors

GROUPS 2 AND 6

THE MISREPRESENTATION OF EARNINGS - DICHEY ET AL (2016)

Misrepresentation of Earnings

Red flags:

- Cookie jar reserves
- Premature rev rec
- Large one-time items

Pressure to meet benchmark

Impact:

Lower trust

Increased Cost of Cap.

GROUPS 3 AND 7

THE "NUMBERS GAME" - LEAVITT (1998)

1. What is earnings management?
 - Influencing reported financial results to meet targets/expectations/benchmarks
2. What are some examples of common earnings management techniques?
 3. "Big Bath" Charges
 4. Creative Acquisition Accounting
 5. Cookie Jar Reserves
 6. Materiality Misuse
 7. Revenue Recognition Manipulation
8. This was a landmark speech in 1998. What has changed in the financial reporting environment since then?
 9. More regulatory culture, harsh penalties for manipulation
 10. Technology now makes manipulation more risky to detect
 11. Status quo for investors has been to be more skeptical of earnings and the focus has changed to long term earnings vs quarterly targets

GROUPS 3 AND 7

THE "NUMBERS GAME" - LEAVITT (1998)

The Numbers Game

Creative acquisition accounting

Materiality misuse

Big bath

Changing asset lives

GROUPS 4 AND 8

THE SEC IS FOCUSED ON EARNINGS MANIPULATION BY COMPANIES - EAGLESHAM (2023)

Is earnings management legal?

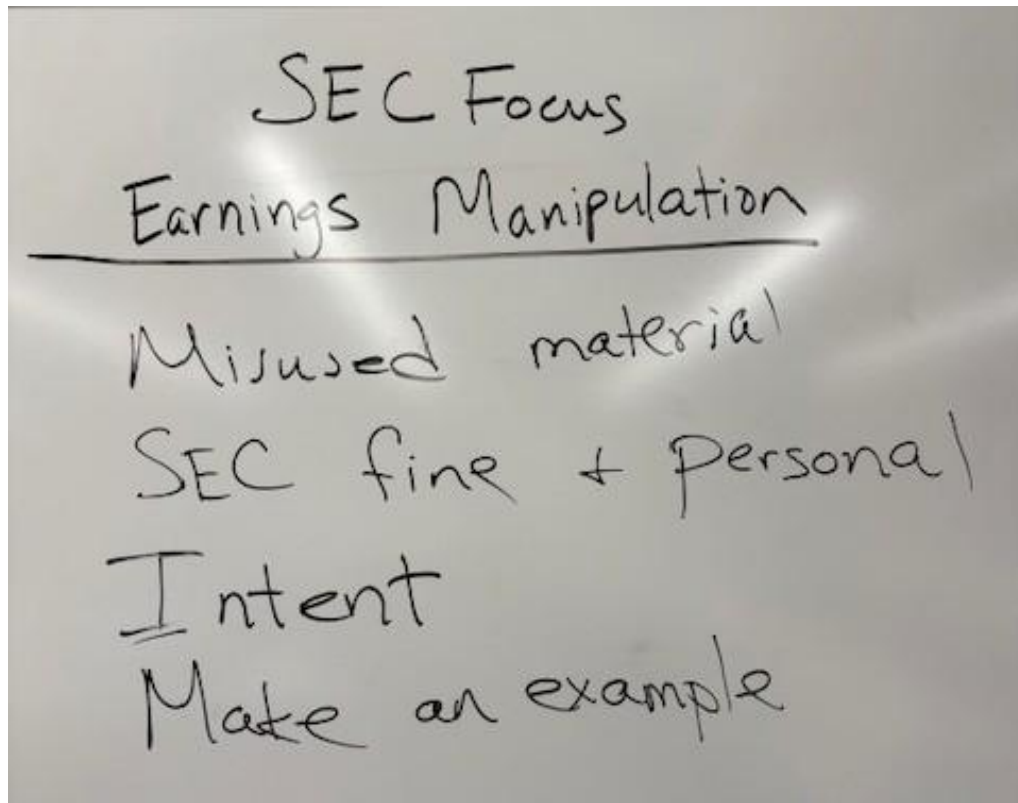
- It depends on the extent and reason for doing so.
- In many instances, it is perfectly legal. In some cases it can slide into securities-law violations or even fraud.
- Auditors will come in to see if the earnings are one time manipulation or is repeatable.
- Earnings management can be legal when it involves the use of accounting flexibility within generally accepted accounting principles (GAAP).

Why was Gentex Corp. fined by the SEC?

- Automotive-parts supplier Gentex Corp. was fined \$4 million for alleged earnings-management tactics that added a single penny to their reported EPS. This was to set standards and expectations.
- Reserves for executive bonuses were reduced in or to order to maintain an earnings per share target. The company's then chief accounting officer was forced to pay a \$75,000 fine.

GROUPS 4 AND 8

THE SEC IS FOCUSED ON EARNINGS MANIPULATION BY COMPANIES - EAGLESHAM (2023)



PREVIEW NEXT WEEK

- Review Preparation for Next Week (Canvas Session 3 - Earnings Management)

<https://uvu.instructure.com/courses/617066/pages/session-3-earnings-management>

- Kick off term project

<https://uvu.instructure.com/courses/617066/assignments/8402618>

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 2 After-Class Reflection Prompts (Choose 1)
 - a. What advice (including a brief supporting argument) would you give the management of a company that, in your opinion, leans excessively liberal or conservative in terms of accounting policies or practices?
 - b. What factor of improved earnings quality would you focus on with your company (in your current role or hypothetical decision-maker role)? Why is this the most important to you?

SESSION 3 - EARNINGS MANAGEMENT

(SEPTEMBER 9, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP

- What is your favorite movie about an accountant?

SESSION 2 RECAP

- Share Session 2 reflection with your neighbor
 - What is one argument you could give the management of a company that, in your opinion, leans excessively liberal or conservative in terms of accounting policies or practices?
 - What factor of improved earnings quality would you focus on with your company (in your current role or hypothetical decision-maker role)? Why is this the most important to you?

SESSION 2 RECAP - GROUP DISCUSSION

- Sample Reflection Response:
 - For me, when it comes to liberal accounting it seems to be that learning a little bit on the conservative side will be more beneficial, because then you can surprise your investors with potential higher numbers, rather than lower ones. Obviously going too conservative can cause problems as well, but leaning toward the side of looking a little bit worse can end up being much better. I like to think of it as waiting to go on a ride at Disneyland. If they have a higher wait time and I'm on the ride quicker, I feel better, whereas if they have a low time and it takes longer, I'm going to be disappointed by the unexpected change. Something similar should be used with businesses, leaning conservative will allow for things to get better rather than worse in most cases.

- Agree or Disagree?

GROUP PROJECT - FORM GROUPS

- Introduce term project

<https://uvu.instructure.com/courses/617066/assignments/8402618>

- Find a group
 - A company or industry you are interested in
 - and/or
 - People you want to work with

[Group Sign Up Sheet](#)

GROUPS 1 & 5

SEC WHISTLEBLOWER PROGRAM EXPANDS - BOYLE & GAYDON (2019)

1. Why did the SEC create a whistleblower program?
2. How much money can whistleblowers receive? Do you think whistleblowers should be paid?
3. What rights and protections do whistleblowers have?
4. What are the new proposed changes to the whistleblower program?

Group 1.

1. to incentivize individuals to report federal security law violations. \$\$\$
2. 10% - 30%
3. Prohibit retaliation and employers can not use confidentiality to block reporting.
4. Caps on very large awards (max of \$30M instead of 30% unlimited), internal whistleblowers can still claim an award if action is not taken within 120 days,

Group 5

1. Incentivize reporting of companies malpractice
2. 10-30% of successful reports
3. Anti-retaliation protections, Confidentiality, Freedom to report, signed NDA become void
4. Adjusting how it calculated large awards to make them more transparent with a minimum of \$2 million cap of \$30 million. Also barring some individuals from receiving rewards.

GROUPS 2 & 6

BUSINESS IS SLOWING. COMPANIES JUICING PROFITS - FOLDY (2023)

1. What are the key estimates related to depreciation expense? Can these be changed often?
2. Why are companies allowed to report adjustments to GAAP numbers (aka non-GAAP)?

1)

Useful life of Asset

- Extending the useful life of an asset can change depreciation expense. Doing this repeatedly can become suspicious.

Salvage Value

- Can theoretically change based on material values

Depreciation

- Accelerated versus straight-line.
- Declining Balance method.
- Units of Production Method.

2)

- Compliance is expensive (some companies opt to pay the fee rather than hire more accountants to be compliant)
- Allows investors to see through the eyes of management
- Have to Disclose and reconcile their numbers with GAAP.

GROUPS 3 & 7

FORMER ICONIX TOP EXECUTIVES CHARGED-ARMENTAL(2019)

1. Why did these managers engage in a fraud?
 - Make company look more profitable
 - Increase stock Prices
 - Increase earnings expectations
 - Meet or beat Wall Street projection
2. How was the fraud committed?
 - Round Trip Earnings
 - Misrepresentation for 2 years

Papering over the scheme: Executives tried to make the givebacks look legitimate in the books, disguising them so auditors and regulators wouldn't notice.

Group 3:

The fraud was carried out through a series of "round-trip" transactions between 2013 and 2015. Cole and Horowitz arranged for joint venture partners to pay Iconix inflated amounts up front, with the secret understanding that Iconix would later return the overpayments. These deals created the illusion of higher short-term revenue, allowing the company to report financial results that looked much better than reality. To conceal the scheme, the executives worked to disguise the repayments so they would appear as legitimate business transactions, misleading auditors, regulators, and investors.

Groups 4 & 8

Brixmor Property Executives

1. Why did these managers engage in a fraud?

-To inflate financial results, boost stock price, and personally profit from stock sales.

2. How was the fraud committed and why was the case dropped?

-Cookie-jar accounting - they included income that shouldn't have been included. They couldn't prove the intention to commit fraud and had to do with the materiality, how significant it was.

Highflying Medical Firm (MiMedx)-Morgenson et al(2018)

MiMedx Ex-Senior Executives Indicted - Morgenson (2019)

1. How did this fraud occur?

Channel stuffing: Shipping more products than ordered and recording them as sales. They falsified information, they made their results look as good as they could. Improper revenue recognition

2. What consequences came from this fraud?

Civil and criminal charges because they had fraud charges and then the sec filed separate civil charges, their stock went down, with their credibility and reputation and the ceo went to prison

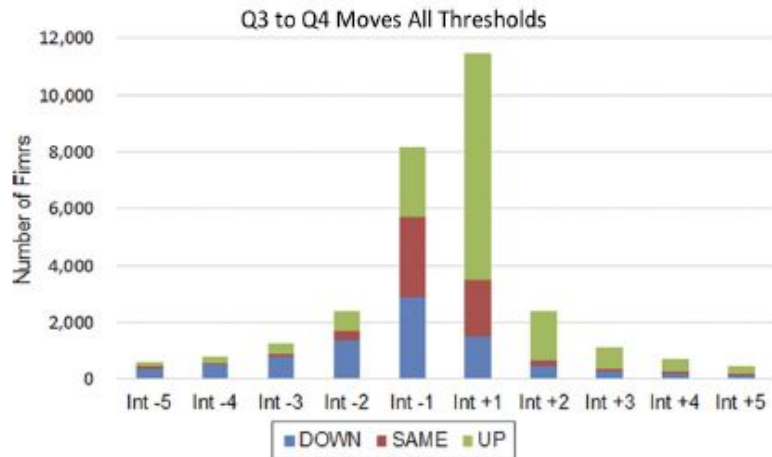
SEC WHISTLEBLOWER PROGRAM EXPANDS - BOYLE & GAYDON (2019)

1. Suggestions for companies at end of the article.
 - a. Strengthen the internal controls on company whistleblower policies
 - b. Tighten the internal controls on the financial processes that have a higher risk of fraud.
 - c. Ensure that human resources policies and procedures protect employees from retaliation.
 - d. Set the tone at the top and promote an environment of transparency and open communication.
 - e. Ensure appropriate communication between key governance parties.
 - f. Strive for an audit committee that achieves industry best practices.
 - g. Utilize the internal audit department to investigate special areas of concern and higher areas of risk.

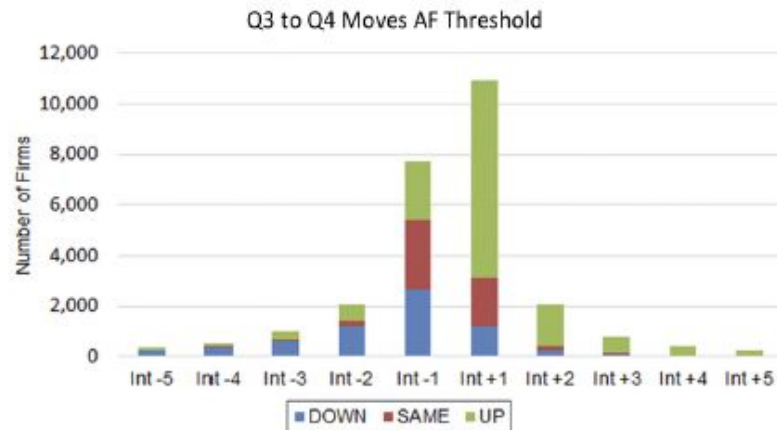
ACCOUNTING-FRAUD INDICATOR SIGNALS COMING ECONOMIC TROUBLE - ZUMBRUN (2023)

1. What is the M-Score and how is it calculated?
 - 8 balance sheet based ratios.
 1. DSRI: Days' sales in a receivable index
 2. GMI: Gross margin index
 3. AQI: Asset quality index
 4. SGI: Sales growth index
 5. DEPI: Depreciation index
 6. SGAI: Sales and general and administrative expenses index
 7. LVGI: Leverage index
 8. TATA: Total accruals to total assets
2. What might be legitimate, healthy business reasons for a higher M-Score?

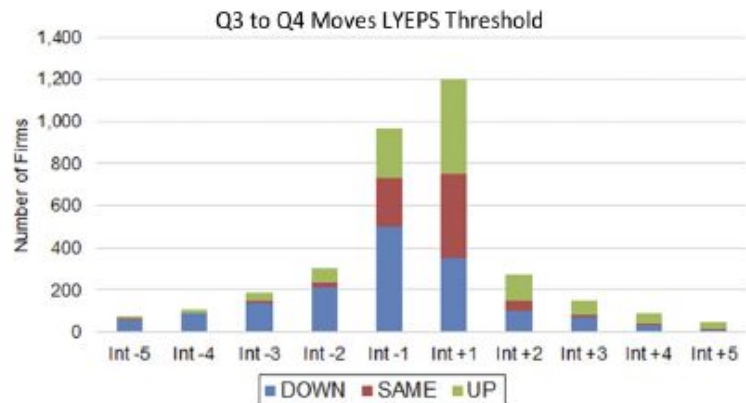
Source: Mindak et al. (2016.) Beating threshold targets with earnings management



(a)



(b)



(c)



(d)

PREVIEW NEXT WEEK

- Review Preparation for Next Week (Canvas Session 4 - Accruals and Cash Flows)

<https://uvu.instructure.com/courses/617066/pages/session-4-a-accruals-and-cash-flows>

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 3 After-Class Reflection Prompts (Choose 1)
 - a. What would you do if you became aware of financial fraud at your company, and why? How might this be different if your company were not publicly traded?
 - b. How can you use your knowledge of earnings quality and earnings management in your current or future business management roles?

SESSION 4 - ACCRUALS AND CASH FLOWS

(SEPTEMBER 23, 2025)

ACC 6250-602
Instructor: Tai Thornock

READINGS OVERVIEW

Get in groups of three and review your notes on the following readings:

Jones, S. (2001). Why Cash Flow Matters in Evaluating a Company. *Wall Street Journal*. Aug. 11.

Colter, G. (2004). Accrual Accounting Can Be Costly. *Wall Street Journal*. July 2.

Entwistle, G. and Bastiaansen, I. (2015). Variations in P/E. *Strategic Finance*. Oct.

Benoit, D. (2022). How a New Accounting Rule is Making Bank Earnings Go Wild. *Wall Street Journal*. June 3.

KEY TAKE-AWAYS FROM THE READINGS

1. What are accruals and why are they used? Do companies have a choice?
 - a. Revenue or expenses incurred, but not yet paid
 - b. Timing/matching revenues and related expenses
 - c. Required by GAAP, but some flexibility in estimates
2. What is the difference between Profit (aka Net Income or Earnings) and Cash Flows?
 - a. Profit = Revenue after cash and accrued expenses
 - b. Cash Flows = Inflow and outflow of actual cash
3. What are some of the considerations when determining the Price/Earnings ratio (P/E), and how can it vary between analysts?
 - a. Which time period for earnings and price?
4. What impact do accruals have on the value of a company?
 - a. They allow a fully-loaded financial results picture - uses estimates
 - b. Risks - Volatility due to estimates and potentially managed earnings
5. What is CECL and how does it affect reported profit/earnings?
 - a. New accounting rule - loan loss reserves for expected future credit losses
 - b. Current Expected Credit Losses

ADDITIONAL CONCEPTS

1. **Efficient Market Hypothesis:** The efficient market hypothesis (EMH) or theory states that share prices reflect all the information available. According to the EMH, stocks trade at their fair market value on exchanges. Proponents of EMH posit that investors benefit from investing in a low-cost, passive portfolio.

2. **The Accrual Anomaly (Sloan 1996, Do Stock Prices Fully Reflect Information in Accruals and Cash Flows About Future Earnings?, *The Accounting Review*, pp. 289–315)**
 - a. Cash Flows are more persistent in predicting future earnings performance than Accruals
 - b. Stocks perform as if investors “fixate” on Reported Earnings, without distinguishing between cash flows and accruals
 - c. Companies with higher relative accrual rates affecting earnings tend to underperform and vice versa (companies with lower accrual rates tend to overperform)

ACCRUAL ILLUSTRATION

(THE ACCRUAL ANOMALY - DECHOW ET AL, 2011)

Dechow et al. (2011)'s Section 2.1.

The Accrual Anomaly

Exhibit 1 - Financial Statements (Handout)

CASH FLOW ACTIVITY - REVIEW AND NOTE YOUR OBSERVATIONS

[NVIDIA 2023 Annual Report](#) (Pg 54)

Observations:

[Purple Mattress 2023 Annual Report](#) (Pg 87)

Observations:

[NRG Energy \(Parent of Vivint Smart Home\) 2023 Annual Report](#) (Pg 87)

Observations:

PREVIEW NEXT WEEK

- Review Preparation for Next Week (Canvas Session 5 - Share-based Compensation)

<https://uvu.instructure.com/courses/617066/pages/session-5-stock-based-compensation>

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 4 After-Class Reflection Prompts (Choose 1)
 - a. What is a metaphor for the cash vs accrual debate? Explain how the metaphor relates?
 - b. If you were queen/king of the world, would you mandate cash accounting instead of accrual accounting? Describe two possible outcomes of mandating cash accounting (one intentional and one unintentional).

SESSION 5 - STOCK-BASED COMPENSATION

(SEPTEMBER 23, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP

- What is your favorite word in a foreign language?
- New Vocabulary:
 - **Beta** - Change/volatility to an expectation (use: valuation of a company). Higher beta = lower multiple, valuation
 - **Reserve** - a.k.a. Liability (reserve for future potential errors)
 - **Cookie Jar Reserve** - Excess reserve to later release as earnings
 - **Multiple** - Price/Earnings Ratio. The company value as a multiple of annual earnings.
 - **Treasury stock** - Any stock initially issued by the company, but bought back by the company
 - **Stock Repurchase** - Purchase stock from investors to place in your treasury stock
 - **Other?**

STOCK BASED COMPENSATION - TYPES

Different Types of Stock Compensation

a. **RSUs (Restricted Stock Units)**

- Shares of stock granted
- Vesting over period of time (e.g. 3 years)

b. **Stock Options**

- Right to purchase stock at a discount in the future with a fixed exercise price

c. **Other**

- ESPPs (Employee Stock Purchase Plans)
- SAR (Stock Appreciation Rights) or Phantom Shares

STOCK BASED COMPENSATION - GAAP ACCOUNTING

- a. At Grant (Disclosure Only)
- b. Over Vesting Period
 - Expense the grant-date fair value of award over the vesting/service period (Stock Options fair value determined by Black-Scholes model)
 - Deferred tax asset-DTA (tax deductible when vested or exercised)
- c. At Vesting or Exercise
 - Record issuance/purchase/sale of stock
 - Tax deduction true-up (release DTA)
- d. Cash Flow Statement
 - Deferred tax impact in **Operating** section
 - Cash paid/received for stock (if any) in **Financing** section

STOCK BASED COMPENSATION - JOURNAL ENTRIES

Over Vesting Period

1. Dr. Stock Compensation Expense (P&L)

Cr. APIC—Stock Awards (Equity)

*Amount is equal to number of shares (or options) * fair value of shares (or options) at grant date. This amount is then amortized over the vesting period of the award..*

2. Dr. Deferred Tax Asset (DTA) – Stock Options (Asset)

Cr. Income Tax Provision (P&L)

*Amount is equal to the compensation expense * tax rate.*

At Exercise

1. Dr. APIC - Stock Awards

Cr. Common Stock - At Par Value (Equity)

Cr. APIC—Common Stock (Equity)

*Amount is equal to number of shares * the original fair value of the award.*

2. Dr. Inc Tax receivable (Asset) – based on exercise price

Cr. DTA (asset) – based on booked stock comp expense (original FV)

Cr. Excess Tax Benefit (if any) (P&L) – if exercise price exceeds original FV tax benefit

STOCK BASED COMPENSATION - CLASS ACTIVITY

Problem: A company grants 2,000 RSUs (Restricted Stock Units) at \$100 per share stock value to their CEO, vesting on the 2nd anniversary of the grant. Assume a corporate tax rate of 25%.

Question 1: What is the compensation expense to the company on the date of the grant? **\$0 Good job**

Question 2: What is the cumulative net impact of stock compensation to GAAP earnings on the first anniversary, assuming no change in the stock value? **\$75,000 Good job**

How would this number change if the stock price had increased to \$150 per share at that time? **No change.**

Problem 1

Grant Date Fair Value

Units	2,000
FV	\$100
	<hr/>
	\$200,000

One Year P&L

Gross Profit (before stock comp)	\$	1,000,000
Stock Comp Expense		(\$100,000)
Deferred Tax Benefit (DTA)		25,000
		<hr/>
Net Stock Comp Impact		(\$75,000)
		<hr/>
Net income		\$925,000

STOCK BASED COMPENSATION - CLASS ACTIVITY

Problem: The 2,000 vested shares are delivered to the CEO on the second anniversary of the grant. The share price of the RSUs on that day was \$150/share.

Question 1: What is impact to **taxable earnings** on that date?

\$300,000 deduction

Question 2: What is the impact to **GAAP earnings** on that date?

\$25,000 improvement (tax benefit true-up)

[Stock Comp Activity Workbook](#) (Don't open until class discussion)

Problem 2

Taxable Income on 2nd Anniversary

Units	2,000
Price	\$50
	<hr/>
Tax Deduction	(\$100,000)
Tax Benefit	\$25,000

GAAP earnings on 2nd Anniversary

Current tax benefit	\$25,000
Reverse deferred tax benefit	(\$50,000)
	<hr/>
Net tax benefit	(\$25,000)

STOCK BASED COMPENSATION - CLASS ACTIVITY

See Amazon FY 2023 Annual Report ([Amazon.com, Inc. - Annual reports, proxies and shareholder letters](#))

- Statement of Cash Flows (pg. 37)
- Note 8 Stockholders Equity (pg. 63) – shows Stock Award Activity
- Note 9 Income Taxes (pg. 65-66) – shows the Deferred Tax Assets includes Stock-based compensation
- Executive Compensation – Proxy Statement, pg. 97-105.

How much would Amazon's reported operating cash flows change if adjusted to reflect cash value of shares vested?

[Amazon Cash Flow Workbook](#) (Don't open until class discussion)

	Years Ended:		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash flow from operations	\$ 46,327	\$ 46,752	\$ 84,946
Less market value of vested RSUs:			
Units vested	108.40	113.30	139.90
Average stock price	\$ 167.00	\$ 126.00	\$ 121.37
	\$ (18,103)	\$ (14,276)	\$ (16,980)
Adjusted cash flow from operations	\$ 28,224	\$ 32,476	\$ 67,966
% Reduction	-39%	-31%	-20%

STOCK BASED COMPENSATION - 6 CHALLENGES (HALL, B.J. 2003)

Hall, B.J. (2003). Six challenges in designing equity-based pay. *Journal of Applied Corporate Finance*. 15 (3): 21 - 33.

1. mismatched time horizons
2. gaming
3. **value-cost “wedge”**
4. leverage-fragility tradeoff
5. aligning risk-taking incentives
6. **avoiding excessive compensation**

INSIDER TRADING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

Rules:

- Center group discusses prompt questions. Others listen and take notes
- Within the center group, participants answer questions and provide evidence from the readings
- Participants acknowledge and build on, or respectfully disagree with others' responses. Provide evidence for your views.
- When you have provided your input and heard responses, give up your seat for someone else in the class to enter the center group and continue the conversation.

INSIDER TRADING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

Prompt 1:

- What is Insider Trading, and are 10b5-1 plans effective in preventing it? Why or why not?

INSIDER TRAINING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

Prompt 2:

- What are Stock Repurchase Plans? Are Stock Repurchase Plans good or bad? How might they be beneficial (to the Company, shareholder, economy)? Why might some regulators and government officials want to discourage and/or tax them?

INSIDER TRAINING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

- Recap key ideas
 - 10b5-1 Plans and Rules
 - Stock Repurchase Plan pros and cons

PREVIEW NEXT WEEK

- Review Preparation for Next Week (Canvas Session 6 - Disclosure Choice and Presentation)

<https://uvu.instructure.com/courses/617066/pages/session-6-part-1-disclosure-choice-and-presentation>

- Guest Presenter - Park Roach, VP - Head of Financial Reporting for Finance of America Companies Inc. (NYSE: FOA)

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 5 After-Class Reflection Prompts (Choose 1)
 - a. What is a key learning from this week that you want to retain? How will you use this information?
 - b. Reflect on the pros and cons of stock-based compensation as an alternative to cash performance bonuses.

SESSION 6 - DISCLOSURE CHOICE

(SEPTEMBER 30, 2025)

ACC 6250-602

Instructor: Tai Thornock

REVIEW CLASS CALENDAR

ACCT 6250: Financial Reporting and Analysis				
Week	Session	Tuesdays	MAJOR TOPIC	Sub-Topic
1	1	08/26/25	Introduction	What is Financial Reporting?
2	2	09/02/25	Earnings	Earnings Quality
3	3	09/09/25	Earnings	Earnings Management
4	4	09/16/25	Earnings	Accruals and Cash Flows
5	5	09/23/25	Disclosures	Stock-based Compensation
6	6	09/30/25	Disclosures	Disclosure Choice and ESG Reporting
7	7	10/07/25	Disclosures	Management Forecasts / Non-GAAP Earnings
8		10/14/25	No class meeting. Midterm due.	
9	8	10/21/25	Analysis & Valuation	Firm Performance Analysis

MID-TERM INSTRUCTIONS

- October 14 - No Class. Mid-Term due.

<https://uvu.instructure.com/courses/617066/assignments/84033>

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1. Groups of up to 3 people
2. Essay responses to 3 out of 7 available prompts
3. Approx 2 pages per prompt (12 pt font, single spaced)
4. Define, Explain, Synthesize, and Cite sources

TERM PROJECT

Any questions from your early meetings? Feel free to schedule some time with me to review your group's approach.

<https://uvu.instructure.com/courses/617066/assignments/8402618>

Group Sign-Up Sheet (Check Presentation Dates)

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGLO-pZoJC70y0FUxw/edit?usp=sharing

STOCK BASED COMPENSATION - 6 CHALLENGES (HALL, B.J. 2003)

Hall, B.J. (2003). Six challenges in designing equity-based pay. *Journal of Applied Corporate Finance*. 15 (3): 21 - 33.

1. mismatched time horizons
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- Participants acknowledge and build on, or respectfully disagree with others' responses. Provide evidence for your views.
- When you have provided your input and heard responses, give up your seat for someone else in the class to enter the center group and continue the conversation.

INSIDER TRAINING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

Prompt 1:

- What is Insider Trading, and are 10b5-1 plans effective in preventing it? Why or why not?

INSIDER TRAINING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

Prompt 2:

- What are Stock Repurchase Plans? Are Stock Repurchase Plans good or bad? How might they be beneficial (to the Company, shareholder, economy)? Why might some regulators and government officials want to discourage and/or tax them?

INSIDER TRAINING AND STOCK REPURCHASE PLANS - SOCRATIC SEMINAR

- Recap key ideas
 - 10b5-1 Plans and Rules
 - Stock Repurchase Plan pros and cons

ARTICLE 1 - FORWARD-LOOKING INFORMATION (CFA INSTITUTE 2014)

- a. What is forward-looking information (p.9-10)?
 - Forward-looking information refers to statements that provide **projections** about future financial performance, management's plans, or future economic conditions.
 - A primary objective of financial reporting is to provide information that will be useful to financial statement users in making economic **decisions**.

- b. Why is forward-looking information useful to investors (p.4-8)?
 - This helps investors assess the future performance (e.g. risks, liquidity, cash flows) of a company and make informed economic **decisions**.
 - Highlighting the need for further improvements in risk and liquidity disclosures

- c. Does GAAP allow forward-looking information (p.13,41)?
 - **Yes**, through fair value adjustments, impairment and expected credit losses (allowance for doubtful accounts), pension obligations, and revenue recognition. It also allows for risk disclosures in financial projections.
 - GAAP includes substantial degrees of forward-looking information and that there is a misconception that disclosures or measurements that are forward-looking belong, or should exist, outside the financial statements

ARTICLE 2 - DO THE SEC'S SAFE HARBOR PROVISIONS ENCOURAGE FORWARD-LOOKING DISCLOSURES? (SKINNER 1995)

- a. Why are CEOs hesitant to provide forward-looking information?
 - To **avoid stakeholder litigation** if forecasts are too optimistic (could be perceived as bad faith).
 - They don't want to set **expectations** too high.

- b. What role do analysts play in obtaining and providing information to the market participants?
 - Analysts bridge gap between companies and investors.
 - They make stock **recommendations** and **predictions** using **objective** reasoning.
 - They enhance industrial growth by providing key insights into consumer behavior.

- c. How is the disclosure of good news different than the disclosure of bad news? Do managers treat them differently? Does the stock market react differently?
 - Good is more frequently disclosed than bad, leading to more positive performance for periods of time.
 - **Good** news is disclosed much more quickly (they don't drag on to report on it) and in more **cautious** and **specific** language.
 - **Bad** news is **preemptively** disclosed with **vague** language bad news to avoid larger stock price drops.

ARTICLE 3

GOOGLE PARENT DEBUTS YOUTUBE . . . (COPELAND 2020)

WHAT INVESTORS LEARNED FROM THE FIRST PEEK INSIDE YOUTUBE'S FINANCIALS (HAGGIN 2020)

- a. How did Google's segment reporting change?
 - Google began **breaking out** the financial details of **YouTube** and Google Cloud.

- b. What was the value of the new information being provided?
 - This increased **transparency** and showed that YouTube was leading the competition while bringing in less revenue than analysts expected.
 - It created a **goal post** for the CEO, reduced speculation, and increased **trust** in the company.

FORWARD LOOKING STATEMENTS - CLASS ACTIVITY

- Term Project groups - Find the following in the annual 10-K filing for your project company:
 - Income statement
 - Segment footnote to financial statements
 - Management Discussion and Analysis
 - Non-GAAP Financial Measures
 - How are they presented?
 - What is the stated and/or implied purpose of their non-GAAP measures?
 - Compare to the non-GAAP disclosures of a close competitor

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Sessions 5-6 After-Class Reflection Prompts (Choose 1)
 - a. Reflect on the pros and cons of stock-based compensation as an alternative to cash performance bonuses.
 - a. Management - What are some questions you would ask yourself when deciding which additional information to disclose (e.g. forecasts, guidance, segments, non-GAAP measures, etc)?

SESSION 7 - MANAGEMENT FORECASTS / NON-GAAP EARNINGS

(OCTOBER 7, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP ACTIVITY

The best class you ever had . . .

- ACC 6250, duh.
- FIN 6150 with Jeffrey Singer
- American History - interactive, always something new.
- Financial Economics
- Intro To Greek and Roman Lit (BYU)
- High school World History
- Anthropology - It was very interesting topic
- Nap Time
- Anatomy and physiology I'm just a nerd
- Art
- AP Art - open forum to discuss art and make it without specific expectations for artwork
- Tourism Class. Something HTM
- Speech and Debate - A small, tight-knit class
- Advanced Data Analytics - Learning to use new tools
- Business Law
- Advanced Japanese
- ACC 6350
- I just want to play kick ball in the gym again
- Intro to public speaking with Glen Thaxton because he would swear at us. (He felt genuine)

Took a nap in PE

- Astronomy

- Any Class where it is graded subjectively instead of objectively
- FIN 6150 (best)
- Physics
- Criminal law and procedure - online with no professor interaction/feedback
- 7th grade art
- 8th grade honors english
 - I despise her, even now
- Philosophy
- Linear Algebra (This is the worst)
- Severe and hazardous weather
- Accounting 2010 (I dropped it like 6 times before I actually kept it)
- Statistics
- Book of Mormon 101 (BYU)
 - Way too hard for a religion class
 - I'm not even mormon

The worst class is when there is no exam review and then they say goodluck

A class on thursday nights that hands out peppermint oil but doesn't explain concepts

REVIEW UPDATED CLASS CALENDAR

Week	Session	Tuesdays Date	MAJOR TOPIC	Sub-Topic
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2. Essay responses to 3 out of 7 available prompts
3. Approx 2 pages per prompt (12 pt font, single spaced)
4. Define, Explain, Synthesize, and Cite sources

SESSION 6 RECAP

Share Session 6 After-Class Reflection Response with you Neighbor

- a. Reflect on the pros and cons of stock-based compensation as an alternative to cash performance bonuses.

- b. Management - What are some questions you would ask yourself when deciding which additional information to disclose (e.g. forecasts, guidance, segments, non-GAAP measures, etc)?

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ARTICLE 4 - MANAGEMENT DISCLOSURES (FULLER & METCALF 1978)

1. What information do analysts most want from management?
 - Facts; concrete information; underlying assumptions (Market impact forecasts)
 - Want direction w/o fluff.
2. What rules does the SEC have today related to management forecasts? What connection does this have to the 1995 forward-looking statement safe harbor rules?

See the SEC's Financial Reporting Manual:

(<https://www.sec.gov/about/divisions-offices/division-corporation-finance/financial-reporting-manual>) Topics 8 and 9

3. Who do analysts work for (Sell-Side; Buy-Side)? What are their incentives?
 - Provide recommendations to the public on whether to sell or hold stocks. (Sell-side)
 - Make internal recommendations to acquire/merge with or buy large shares. (Buy-side)

ARTICLE 5 - FINANCIAL FORECASTS (COLLER & YOHN 1998)

1. What is the expectations-adjustment hypothesis?
 - By releasing your own internal estimates, you help inform outside estimations as well, which reduces potential gaps between the two.
 - Managers try to ensure that the market is based in reality and that the expectations of the company aren't over-inflated.
2. What are the characteristics of firms that do issue management forecasts?
 - Have less variable earnings
 - Lower operating leverage (less fixed costs)
 - Have more external financing

Why these?

ARTICLE 5 (CONT) - FINANCIAL FORECASTS (COLLER & YOHN 1998)

3. What is good-news bias? What is optimism? How are these measured?

- **Good-news bias** is that managers choose only to disclose forecasts when they have good news relative to expectations. Another way of saying it is bad-news withholding. Measured by management forecasts being systematically greater than existing analyst forecasts.
- **Optimism** is measured by comparing the actual earnings to management forecasts. If management forecasts are on average higher than realized earnings, it would indicate systematic optimism on behalf of management.
- Both good-news bias and optimism seem to be, on average, lessened in the post 1970 era. SEC rules altered forecasting behavior.

4. How does the market react to management forecasts? To analysts' forecasts? Why does the market react at all?

- Immediate adjustments to negative forecasts. "Wait and see" reaction to positive forecasts. Positive adjustments with good news is confirmed with actuals.

ARTICLE 6 - THE PROBLEM WITH NON-GAAP EARNINGS (KING 2017)

1. What are non-GAAP earnings? Why do firms use them? How are they disclosed?
 - Non-GAAP earnings are adjustments made to GAAP numbers in order to exclude items considered transitory.
 - Firms use non-GAAP to improve the appearance of their financial performance. In theory, they could also use them to provide a more clear “run rate” or persistent earnings, which is useful for firm valuation purposes.
 - They can also be used to allow firms to relay information they personally find relevant that may not fall within traditional GAAP
2. What are the current SEC rules related to non-GAAP disclosures?
 - Regulation G. Regulation S-K 10 (e) requires companies to provide a similar metric for comparison when they provide non-GAAP numbers and to reconcile the differences between the two.
3. Is the use of non-GAAP numbers legal? Ethical?

ARTICLE 7 - WEWORK WAS WRESTLING WITH SEC OVER KEY FINANCIAL METRIC JUST BEFORE IT SCRAPPED IPO. (EAGLESHAM & BROWN 2019)

1. Was the key metric being used by WeWork useful? Informative? What was wrong with it?
 - o WeWork's key metric, "Community-Adjusted EBITDA," was misleading because it excluded major expenses like rent and marketing, making the company appear more profitable than it really was. It wasn't useful or informative since it distorted WeWork's true financial performance.
 - o
2. If 97% of firms in the S&P 500 are using non-GAAP numbers, does that indicate that investors, analysts, and the market want these numbers?

Yes, it suggests that investors and analysts find non-GAAP numbers useful because they can provide additional insight into a company's core operations. However, it also shows the need for caution, since companies may use them to present results more favorably.

3. How should the SEC regulate non-GAAP numbers?

The SEC should require companies to present non-GAAP numbers alongside the most comparable GAAP figures and clearly explain any adjustments. This ensures transparency and prevents companies from misleading investors with overly favorable metrics.

ARTICLE 8 - WHY CHARLIE MUNGER'S 'BULLS-T EARNINGS' METRIC IS USED BY SO MANY TECH COMPANIES. (LEVY 202)

1. What is adjusted EBITDA? What adjustments are being made?

Adjusted EBITDA is a modified version of EBITDA that removes certain one-time, non-cash, or non-operational expenses to show a company's core profitability. Adjustments often include items like restructuring costs, stock-based compensation, legal settlements, or asset impairments.

2. Why does Charlie Munger not like this measure?
 - a. Charlie Munger dislikes adjusted EBITDA because he believes it allows companies to ignore real expenses and mislead investors about their true profitability. He sees it as a way to make poor-performing businesses look better than they actually are.

FORWARD LOOKING STATEMENTS - CLASS ACTIVITY

- Review the SEC's Financial Reporting Manual (<https://www.sec.gov/files/cf-frm.pdf>) Topic 8 for Non-GAAP Measures
- Term Project groups - Review non-GAAP disclosures in annual 10-K filing for your project company
 - How are they presented?
 - What is the stated and/or implied purpose of their non-GAAP measures?
 - Compare to the non-GAAP disclosures of a close competitor

GUEST PRESENTER INTRODUCTION - MICHAEL FANT, SVP FINANCE

Who am I? A finance leader who gets to tell FOA's story



3 years
McKinney, TX
Business Lending



2 years
Plano, TX
Senior Financial Analyst



3 Years
Las Colinas, TX
Vice President, FP&A



9 Years
Plano, TX
SVP, Finance



PREVIEW UPCOMING WEEKS

- 10/14 Mid-Term Due (No Class) - Available starting 10/7. Group of up to 4. Essay response to three prompts of your choice.

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 7 After-Class Reflection Prompts (Choose 1)
 - a. Analyst - What is one question you would ask management about their non-GAAP measures? What would be a good answer and what would be a bad answer to your question? Why?
 - b. Management - What are some questions you would ask yourself when deciding which non-GAAP measures you would present?

SESSION 8 - FIRM PERFORMANCE ANALYSIS

(OCTOBER 21, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP ACTIVITY

Best restaurants in Utah County?

REMAINING SESSIONS

[Session 1: Introduction](#)

[Session 2: Earnings Quality](#)

[Session 3: Earnings Management](#)

[Session 4: Accruals and Cash Flows](#)

[Session 5: Stock-based Compensation](#)

[Session 6: Disclosure Choice](#)

[Session 7: Management Forecasts / Non-GAAP Earnings](#)



[Session 8: Firm Performance Analysis](#)

[Session 9 \(Part 1\): Intangible Assets](#)

[Session 9 \(Part 2\): ESG Reporting](#)

[Session 10: Value Investing](#)

[Session 11: Textual Analysis](#)

[Session 12: Corporate Governance](#)

TERM PROJECT - QUESTIONS

<https://uvu.instructure.com/courses/617066/assignments/8402618>

- Where to find SIC code?
<https://www.sec.gov/search-filings/standard-industrial-classification-sic-code-list>
- Where to find historical analyst expectations? **CNBC.com** - They have company profile page with lots of financial information, including analysts forecast data.
- Good examples: answer the prompts, tell the story, explain the relevance, reference the numbers, add charts to appendix, align the presentation with the report
- Other questions?

IMPROVING CRITICAL THINKING THROUGH DATA ANALYSIS (REDING & NEWMAN, 2017)

Definition of critical thinking

Curiosity means wanting to learn

Creativity means viewing information from multiple perspectives

Skepticism means maintaining a “trust but verify” mind-set

Analysis means systematically examining and evaluating evidence, and

Logic means reaching well-founded conclusions.

ASSESS YOUR CRITICAL THINKING

- How often do I ask **insightful** “why” questions?
- How frequently do I generate **compelling** new ideas?
- How inclined am I to **challenge** the validity of new information?
- How **vigorously** do I tackle unfamiliar, complex problems?
- How **adept** am I at making decisions under uncertainty?

IMPROVING CRITICAL THINKING THROUGH DATA ANALYSIS (REDING & NEWMAN, 2017)

THE DATA ANALYSIS PROCESS

1. Identify data analysis opportunities,
2. Specify the objectives of the analysis,
3. Develop expectations and define anomalies,
4. Analyze the data and investigate anomalies,
5. Evaluate the results, and
6. Formulate a remedial action plan.

TYPES OF DATA ANALYTICS

Descriptive analytics — answers the question, “what is?”

- What happened?
- Observe historical information
- Contextual data
- Trend analysis
- Comparisons to peers
- Financial statements and footnotes

Diagnostic analytics — answers the question, “why?”

- Trend analysis of corroborative evidence
- Drill-down analysis to component parts
- Regression analysis
- Pattern analysis
- Rate and volume analysis
- MD&A

Predictive analytics—answers the question, “what will happen?”

- Forecasts, budgets
- Driver-based
- Monte-Carlo/Black-Scholes Models
- Financial Planning and Analysis department

Prescriptive analytics—answers the question, “what should happen?”

- Goal or benchmark
- Data analysis to prescribe an action
- Standard costs (how much “should” it cost)
- Goal seek
- Cost/Benefit Analysis
- Hiring/headcount planning
- Emergency planning

DATA ANALYSIS - SAMPLE SURVEY

FINANCIAL KNOWLEDGE AND SKILLS SURVEY

PERSONAL FINANCE INSTRUCTION MASTER'S PROJECT SAMPLE

Sample Age Make Up and Scores

	<u>Count</u>	<u>% of Total</u>	<u>FKS%</u>	<u>Out of 5</u> <u>Skills</u>	<u>Out of 4</u> <u>Confidence</u>
Under 25	130	68%	64.5%	2.21	1.97
26-35	38	20%	63.7%	2.47	1.97
36-45	14	7%	76.4%	2.87	2.21
Over 45	10	5%	84.0%	3.13	2.50
	192	100%	66.5%	2.36	2.03

Financial Role Within Family

	<u>Count</u>	<u>% of Total</u>	<u>FKS%</u>	<u>Skills</u>	<u>Confidence</u>
Primarily responsible – household of more than one person	22	11%	70.5%	2.93	2.32
Shared responsibility	80	42%	67.9%	2.53	2.08
Primarily responsible – one-person household	54	28%	64.4%	2.09	1.83
Not my primary or shared responsibility	32	17%	60.9%	1.95	1.91
Prefer not to say	4	2%	77.5%	2.64	2.50
	192	100%	64.9%	2.34	2.01

Previous Financial Literacy Course

	<u>Count</u>	<u>% of Total</u>	<u>FKS%</u>	<u>Skills</u>	<u>Confidence</u>
Yes	128	67%	65.9%	2.39	2.09
No	64	33%	66.9%	2.31	1.88
	192	100%	65.3%	2.34	2.02

Observations:

- Over 35 increase
- No significant difference based on literacy course

PERSONAL FINANCE INSTRUCTION MASTER'S PROJECT

FKS Correct Response % by Question

1	Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, would you be able to buy more than, exactly the same as, or less than today with the money in this account?	83%
2	If the interest rates rise, what should happen to bond prices?	32%
3	Considering a long time period (for example 10 or 20 years), which asset described below normally gives the highest return?	43%
4	Normally, which asset described below displays the highest fluctuations over time?	85%
5	When an investor spreads his or her money among different assets, does the risk of losing a lot of money increase, decrease, or stay the same?	71%
6	Do you think the following statement is true or false? "If you were to invest \$1,000 in a stock mutual fund, it would be possible to have less than \$1000 when you withdraw your money."	83%
7	Do you think the following statement is true or false? "Whole life' insurance has a savings feature while 'term' insurance does not."	63%
8	Do you think the following statement is true or false? "A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less."	88%
9	Do you think the following statement is true or false? "Housing prices in the United States can never go down."	93%
10	Suppose you owe \$3,000 on your credit card. You pay a minimum payment of \$30 each month. At an Annual Percentage Rate of 12% (or 1% per month), how many years would it take to eliminate your credit card debt if you made no additional new charges?	21%

Observations:

- Interest rate

Skills and Experience Average Ratings

1	Spreadsheet programs (e.g. Microsoft Excel or Google Sheets)	2.83
2	Written budgeting, including setting a budget and measuring performance against the budget	2.59
3	Online budgeting tools (e.g. YNAB, Mint)	1.59
4	Bank account management, including tracking deposits and spending (checking, savings, CDs)	3.61
5	Online investing, including purchasing or selling mutual funds, stocks, or bonds, and monitoring performance (e.g. Fidelity.com, Schwab.com)	1.42
6	Retirement Savings Plans, including knowledge of benefits of different types (e.g. 401(k), IRA, Roth IRA, etc.)	1.93
7	Borrowing: Credit card, Auto Loans, Home Mortgages (including knowledge of associated interest rates and fees)	2.65
8	Insurance (e.g. homeowners, auto, life, comprehensive, etc.)	2.27
9	Personal income taxes	2.36

Observations:

-

EAST SIDE: WHAT APPLICATIONS DOES DATA ANALYTICS HAVE IN ACCOUNTING-RELATED SETTINGS? WHAT PURPOSE AND WHAT DATA?

Internal and External Auditing

1. Internal controls pass/fail rate (descriptive)
2. Financial statements
3. Raw data is compliant
4. How are things going right now? (Descriptive)
5. Forecasts (Predictive)
6. Risk within accruals
7. Credit risk
8. Fluctuation analysis (descriptive and diagnostic)

Personal Financial Planning

1. Income and Expenses (Diagnostic Predictive)
2. Risk Tolerance (prescriptive and predictive)
3. Liabilities
4. Current Net Worth
5. Types of Accounts (401k, Roth IRA)
6. Monte Carlo analysis
7. Interest/Inflation Rates
8. Real Estate
9. Estate Planning
10. Insurance - Risk Management
11. Tax Planning - 1040
12. Debt Management historical

EAST SIDE: WHAT APPLICATIONS DOES DATA ANALYTICS HAVE IN ACCOUNTING-RELATED SETTINGS? WHAT PURPOSE AND WHAT DATA?

Business Budgeting and Forecasting

1. Previous budgets (where did we go over/under Why did we go over/under) Variance Analyses (diagnostic)
2. Forecasted expenses, variable and fixed costs, sales, taxes (predictive)
3. Profit and Loss Report (Descriptive)
4. Trend Analyses from prior years or quarters to see trends in revenues and expenses (descriptive)
5. Management Goals Versus Wall Street Goals (prescriptive)

Sales and Marketing

1. Historical
2. Trend analysis - corroborative factors like competitors, conditions
3. Referring to previous performance of marketing plans
4. Tracking spending to sales or CTR
5. Sales goals and determining how you feel the next quarter will be
6. Is there a new marketing plan being released or new branding plans
7. Was ad spend in the right place- was the demographics accurate
8. PDI determination- tracking enterprise sales books, where were sales higher is certain countries

WEST SIDE: WHAT APPLICATIONS DOES DATA ANALYTICS HAVE IN ACCOUNTING-RELATED SETTINGS? WHAT PURPOSE AND WHAT DATA?

Internal and External Auditing

1.

Personal Financial Planning

1.

WEST SIDE: WHAT APPLICATIONS DOES DATA ANALYTICS HAVE IN ACCOUNTING-RELATED SETTINGS? WHAT PURPOSE AND WHAT DATA?

Business Budgeting and Forecasting

1.

Sales and Marketing

- Descriptive:** Target specific demographics such as
 - Age
 - Gender
 - Working-status
 - Income
 - Other key differentiating factors
- Descriptive:** Historical customer base?
 - Diagnostic:** Why were they customers?
- Descriptive:** How have previous projects performed?
 - Diagnostic:** What made them succeed/fail?
- Diagnostic:** Cost-per-click/click rate
- Predictive & Prescriptive:** Customer Lifetime Value
- Predictive:** Forecasting marketing costs for the upcoming quarter.
- Prescriptive:** Click-Through Rate targeting (goals)
- Prescriptive:** Search Engine Optimization, determining how to reach target audience

DETERMINANTS OF "STICKY COSTS" (CANNON 2014)

Different Types of Costs

Variable Costs

Fixed Costs (Short Term vs. Long Term)

Sunk Costs

Opportunity Costs

Discretionary Costs

Capital/Investment Costs

Sticky Costs

Asymmetric cost behavior comes from deliberate resource commitment decisions by managers.

- Example 1—Retaining and adding capacity
- Example 2—Adjusting Selling Price and Capacity
- Example 3—Relative cost of capacity changes when demand is decreasing vs increasing

WHAT'S IN SGA? (RAJGOPAL 2021)

Why is SG&A not broken down more in financial statements? Why does it matter?

- Example: Walmart lists \$116 billion in SG&A costs but only discloses what \$8 billion are for, leaving \$108 billion unexplained.

How would this impact the analysis of your company (i.e. term project)?

WHAT HAPPENED WHEN UNITED STOPPED TRYING TO PREDICT THE PANDEMIC? (SIDER 2021)

How did United navigate demand uncertainties with Covid-19?

Group Activity - What was their relative performance 2022 vs 2019?

- What three metrics would you think would be relevant?

IMPORTANT: USE DATA ANALYSIS IN YOUR GROUP PROJECT

PREVIEW UPCOMING WEEKS

- 10/28 - No class. Work on projects with your groups.
- 11/4 Canvas Session 9 - Intangible Assets AND ESG Reporting

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 8 After-Class Reflection Prompts (Choose 1)
 - a. List 2-3 “go-to” financial ratios you would want to know about any company you invest in? What type of data do those give (Descriptive, Diagnostic, Predictive, Prescriptive)
 - b. How can data sometimes be misleading, and what are some things you can do with your data analysis to minimize this?
 - c. What is a specific problem at your work where you think a solution can be helped with data?

SESSION 9 - INTANGIBLE ASSETS

(NOVEMBER 4, 2025)

ACC 6250-602
Instructor: Tai Thornock

MIDTERM RECAP

Feedback from Midterm

You folks are LEARNING!!

Come see me if any questions about your grade or my review notes.

Common review notes

1. Quality group outcomes - all provide input, all provide review
2. Good and bad use of AI
3. Problem, solution, risks with the solutions (e.g. earnings quality, stock-based compensation, voluntary disclosures and forecasts)

TERM PROJECT

<https://uvu.instructure.com/courses/615622/assignments/8403136>

Term Project Sign Up Sheet

- Choose Due Date Presentation Date
- Groups of 3-6
- Group Project Submission - Only one needs to be submitted for the group
- Group Presentation - Only one needs to be submitted for the group
- Individual Reflection Submission - Each group member will write and submit their own

Pro-tips:

- Answer all relevant prompts
- Be sure to include some comparable analysis with peers in their industry.
- If generative AI is used, follow the rules set in the syllabus and Session 1 (cite, describe prompts, verify, personal reflection).
- Use/apply concepts learned in this class.
- Synthesize and “tell the story” (i.e. what the prompt answers mean in context of the overall analysis, reference relevant numbers, add charts to appendix, align the presentation with the report)
- Make sense. Bring your strengths to the group.

DEFINITIONS - INTANGIBLE ASSETS

Disney's Numbers (pg 79 and 112)

Tangible assets = PP&E, Fixed Assets, Cash (financial assets); physical that has future, inventory, accounts receivable, etc. (does not include intangible assets)

Tangible net assets = Tangible assets (total asset - intangibles) less liabilities

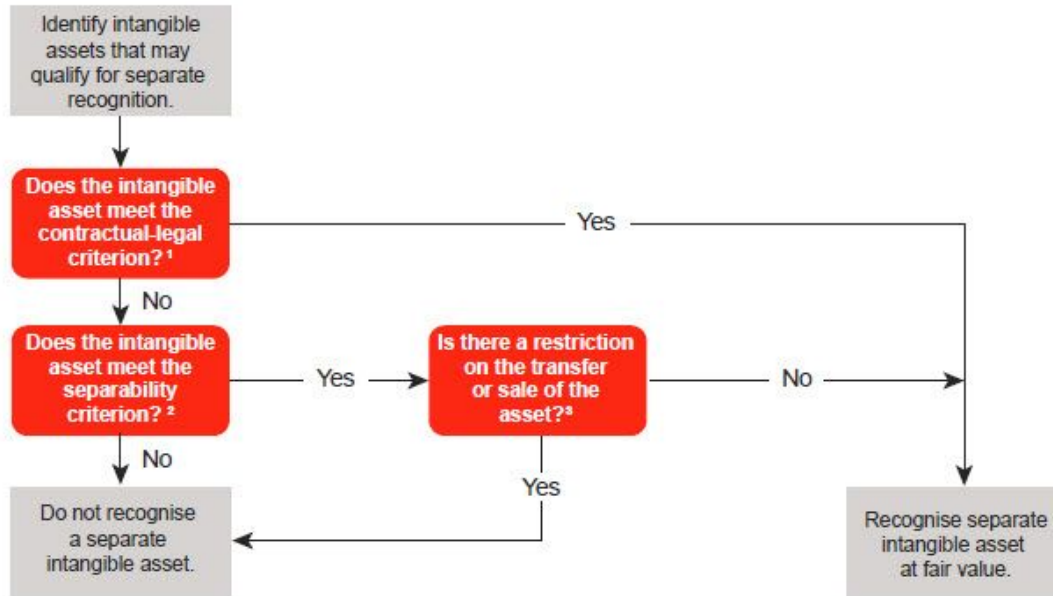
Acquisition/Purchase Accounting =

Goodwill = Amount paid above the value of net identifiable assets (in an acquisition); synergies/future value

Other Types of Intangible Assets = Brand, Customer List, Patents/Copywrites/Trademarks

How much “unrecorded goodwill” does Disney have (hint: Mkt Cap less “Disney Shareholders Equity”)?

DEFINITIONS - INTANGIBLE ASSETS



¹ Consider whether the intangible asset **arises from contractual or other legal rights**, even if the asset is not transferable or separable from the acquiree in accordance with [ASC 805-20-55-2](#).

² Consider whether the intangible asset is **capable of being separated**; whether there are **sales of similar types of assets in the market**; or whether it is separable in conjunction with a related contract, asset, or liability in accordance with [ASC 805-20-55-3](#) through [ASC 805-20-55-4](#).

³ Consider whether the terms of confidentiality or other agreements **prohibit an entity from selling**, leasing, or otherwise exchanging the underlying information in accordance with [ASC 805-20-55-4](#).

INTANGIBLE ASSETS - DISNEY ACQUISITION OF LUCASFILM

On October 30, 2012, Disney acquired Lucasfilm, the production company founded by George Lucas, for a reported \$4.05 billion. This deal granted Disney the rights to all existing Star Wars films and the rights to create new movies, TV shows, and other merchandise based on the brand.

(in billions)	Estimated Fair Value
Intangible assets	\$ 2.6
Goodwill	2.3
Deferred income tax liability	(0.8)
	<u>\$ 4.1</u>

Intangible assets primarily consist of intellectual property based on the *Star Wars* franchise with an estimated useful life of approximately 40 years. The goodwill reflects the value to Disney from leveraging Lucasfilm intellectual property across our distribution channels, taking advantage of Disney's established global reach.

READINGS OVERVIEW - INTANGIBLE ASSETS

King, A. and Newman, U. (2015). Brand Value: 'Hidden' Asset in Plain View. *Strategic Finance*. June.

1. What is brand value? **The financial worth of a brand; Value people are willing to pay; The difference in sales volume and margin over competitors for the same thing**
2. When can brand value be added to the balance sheet? **Upon Acquisition, before calculation of Goodwill**
3. How is brand value measured? **$((\text{Projected revenue for a branded product [Sales]} * \text{Royalty Rate}) + \text{Terminal Value}) / \text{Present Value}$**

Eaglesham, J. (2020). Goodwill Sparks Deep Division, at Least on Balance Sheets. *Wall Street Journal*. Jan. 21.

1. What is Goodwill? **Difference between purchase price and all identifiable net assets (including identifiable intangible assets)**
2. What is the current test for goodwill impairment? **Tested annually for impairment, reduced as a loss if impaired (public companies); Can be amortized over a set period of time (private companies)**
3. What is the proposed alternative accounting treatment for goodwill? **Companies write down a set portion of the Goodwill over a future period of time**

WHAT IS ESG REPORTING? (GROUPS 1 AND 5)

What is ESG?

①

- Environmental, Social, Governance
A disclosure of a company's performance and impact related to the above.
- Government agencies like the SEC
- To hold businesses accountable for their impact on environment, social, governance.

How Governed?

Where from?

②

③

- GLOBAL INITIATIVE
- COMMISSIONED FROM THE UN GLOBAL COMPACT
- GOVERNMENT AGENCIES (EX: EU)
 - Varies by country
- SET GOALS FOR BUSINESSES
- EST 2004

ARGUMENTS IN FAVOR OF ESG REPORTING (GROUPS 2 AND 6)

Arguments in Favor	
2	4 6
<ul style="list-style-type: none">• Emotional appeal• Governance strengthens internal controls (fraud prevention)• Environmental benefit• Builds trust• Carbon credits• Millennial appeal	<ul style="list-style-type: none">Increased accountabilityLegal complianceEncourages sustainabilityBrand buildingCharitabilityGenuine commitment to good causesIndicative of financial strengthCompetitive differentiationWe got more, haha

ARGUMENTS AGAINST ESG REPORTING (GROUPS 3 AND 7)

③ Arguments Against

- Narrows Company Focus
- Very Subjective
- Certain ESG factors don't effect Company Performance
- Can be inaccurate
- It's an investment, has diminishing returns
- Focuses on image rather than action
- NOT Standardized
- Risk of legal and operational Burden
- Investors can interpret data wrong
- Expensive and time consuming

⑦

- Overly broad (blends unrelated issues)
- Politicized (controversial)
- Distracts from financial performance
- Counterproductive
- High cost / burdensome
- Highly inaccurate disclosures
- ESG should be integrated organically
- Ignores non-ESG factors

WHAT ARE "GREEN-WASHING" AND "GREEN-HUSHING"?

(GROUPS 4 AND 8)

INSERT PICTURE HERE



④ Greenwashing	Greenhushing
<p>MAKE a COMPANY LOOK BETTER than reality</p> <p>EXAMPLES:</p> <ul style="list-style-type: none">• Brand preservation• Stay in markets• PR• Avoid lawsuits• Appearances•	<p>Brand image</p> <p>Fly under Radar</p> <p>Avoid regulation</p> <p>Avoid lawsuits</p> <p>False accusations</p>

⑧
WASHING: OVERSTATING INVOLVEMENT AND PARTICIPATION, TO LOOK GOOD

HUSHING: SWEEPING UNDER THE RUG. HIDING NEGATIVE IMPACT TO AVOID BACKLASH



Speaker: Gabby Thornock, CPA

Education: Master's Degree, Accounting

Career:



Audit Associate @ KPMG
Seattle (2021-2023)



Financial Reporting
Accountant @ Weyerhaeuser
(2023-Current)

EXAMPLE - WEYERHAEUSER ESG REPORTING

9/2025 Investor Slides

[Weyerhaeuser Investor Meetings \(investorroom.com\)](https://investorroom.com)

- See slides 18, 29, 34-36, 60

Filed 2024 10-K

[Annual Results - 10-K](#)

- ESG Summaries starting on Page 4
- Risk Factors starting on Page 30

EXAMPLE - WEYERHAEUSER + SEC CLIMATE RULE

- Proposal stage
- Acceptance & subsequent stay of the ruling
- ESG depends heavily on public opinion/world events
 - California Emissions Reporting

[Article about CA Emissions Reporting Laws](#)

PREVIEW UPCOMING WEEKS

- 11/11 Canvas Session 10 - Value Investing

<https://uvu.instructure.com/courses/615622/pages/session-10-value-investing>

- 11/18 Presentations - **Submit presentation by noon on 11/18. Full report by Sunday 11/23.**

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGLO-pZoJC70y0FUxw/edit?usp=sharing

- Disney
- Amazon
- Ford
- Nike
- Apple

- 11/18 Canvas Session 11 - Textual Analysis

<https://uvu.instructure.com/courses/615622/pages/session-11-textual-analysis>

AFTER-CLASS REFLECTION

- Record in your interactive journal.
- Week 9 After-Class Reflection Prompts (**Choose 1**)
 - a. What are the most important intangible assets at your current company or the company you are researching for your Term Project? Do you think they are being properly valued on the financial statements? Why or why not?
 - b. Is an ESG focus at a company a good investment? What would cause it to be a good investment or a bad investment in your view?

SESSION 10 - VALUE INVESTING

(NOVEMBER 11, 2025)

ACC 6250-602
Instructor: Tai Thornock

WARM UP ACTIVITY

If you could meet any historical figure, who would it be, and what would you ask them?

REMAINING SESSIONS

[Session 1: Introduction](#)

[Session 2: Earnings Quality](#)

[Session 3: Earnings Management](#)

[Session 4: Accruals and Cash Flows](#)

[Session 5: Stock-based Compensation](#)

[Session 6: Disclosure Choice](#)

[Session 7: Management Forecasts / Non-GAAP Earnings](#)

[Session 8: Firm Performance Analysis](#)

[Session 9 \(Part 1\): Intangible Assets](#)

[Session 9 \(Part 2\): ESG Reporting](#)



[Session 10: Value Investing](#)

[Session 11: Textual Analysis](#)

[Session 12: Corporate Governance](#)

SESSION 9 RECAP - INTANGIBLE ASSETS AND ESG

Discuss your answers to your end-of-class prompts for Sessions 9 with your neighbor:

- **Week 9 After-Class Reflection Prompts (Choose 1)**
 - a. What are the most important intangible assets at your current company or the company you are researching for your Term Project? Do you think they are being properly valued on the financial statements? Why or why not?
 - b. Is an ESG focus at a company a good investment? What would cause it to be a good investment or a bad investment in your view?

VOCABULARY

Value Investing = Buying stocks that are undervalued, compared to intrinsic value (should be with). Determined by the quality earnings and multiples of its earnings. Changes from industry to industry. Not looking at current earnings but growth potential. Price to book & price to earnings. Look at the companies own history to determine the value of the company. Buying into stocks you think industry is undervalued

Growth Investing = Buying based on growth potential. Determining based on history and other industry to determine whether you should see potential in a stock. Having hope in a company when investing.

Active v. Passive management = When it comes to mutual funds, the financial advisor will make decisions on what to invest, and follow the S&P 500 on other companies. Picking an index, not needing a analyst, pick some ratios, and automatically assuming requiring less analysis which means less fees. Active are people who think they can pick stocks better than others, more expensive than passive. Changing with AI, because it is managing certain funds (It is doing worse than human predictions.) No active portfolios have outperformed the S&P 500 predictions.

Index funds (e.g. FTSE Russell, Value, Growth, S&P 500) = Are you pick an index and pick a fund that matches that index, weather S&P 500, New York Stock Exchange. Working under the idea that the index will do better

ETF = Exchange traded Fund that are zero fees (Cheap).

Large-Cap (\$ range) = Above 10 billion

Mid-Cap (\$ range) = 2-10 Billion

Small-Cap (\$ range) = Less than 2 Billion

Matters because smaller cap companies have potential better growth with also more risk or volatility, while Large cap is the opposite. Invest in what amount of risk you are willing to take.

Intrinsic value =

Retained earnings = Cumulative net income you don't pay as a dividend that doesn't get added to the balance sheet.

Total equity is made of retained earnings, common stock, and APIC (when people buy your stock on the market). Investors pay into these 3.

Retained earnings - Net Income - Dividends
= Retained earnings

GROUP 1 - THE END OF ACCOUNTING (LEV & GU, 2016)

1. Are accounting rules producing financial measures that are irrelevant and/or misleading?
 - a. Financial statements no longer reflect real business performance
 - b. Value derived from looking at financial statements and ratios, numbers do not tell the full story
 - c. Businesses create value through intangible assets
 - d. Reported earnings are backwards booking and cause gap between accounting and stock prices
2. How do the authors propose to fix the corporate earnings problem?
 - a. Companies should regularly and consistently report business metrics that predict future success
 - b. Industry specific standards/framework
 - c. “forward -looking indicators of performance and growth that highlight strategy of business and success of execution”

GROUP 2 - VALUE INVESTING: WHAT IT IS, HOW IT WORKS & STRATEGY (THUNE, 2022)

1. What is value investing?
 - Buying stocks that are undervalued, compared to intrinsic value(should be with). Determined by the quality earnings and multiples of its earnings. Changes from industry to industry. Not looking at current earnings but growth potential. Price to book & price to earnings. Look at the companies own history to determine the value of the company. Buying into stocks you think industry is undervalued
2. What are the key measures used to indicate a “value” stock?
 - P/E Ratio
 - Dividend yield
 - PEG Ratio (Price-to-earnings-to-growth)
3. What are the risks to value investing?
 - Miscalculation of intrinsic value
 - Falling into a ‘value trap’ - stock is cheap for a reason
 - Expensive to do
 - Overall risk of loss
4. Famous Value Investors
 - Benjamin Graham, Warren Buffett, Charlie Munger, Bill Ackman

GROUP 3 - WHY THE TRADITIONAL WAY OF MEASURING 'VALUE' STOCKS MAY BE HISTORY (HULBERT, 2018)

1. Why has the price-to-book ratio potentially lost its relevance?
 - a. A lot of companies have large amounts of intangible assets, which are difficult to incorporate into book value calculations. Lots of modern industries, especially more digital ones, deal with intangibles far more than older industries do.
2. Are there arguments for still using price-to-book ratio to differentiate between underpriced and overpriced stocks?
 - a. Could still be an indicator for future growth.
 - b. May vary based on industry.

GROUP 4 - FACEBOOK, NETFLIX AND PAYPAL ARE VALUE STOCKS NOW (BANERJI 2022)

1. What is the benchmark measure that the FTSE Russell uses to determine value stocks?
 - a. FTSE Russell benchmark for value stocks: Value stocks are measured using book-to-price ratio, cash-flow-to-price ratio, and dividend yield.
 - b. Historical sales, growth factors, value stock has lower growth and better stock ratios
 - c. Each growth forecast helps, future growth is a major factor in the increase of a stock price.
2. Tech stocks have historically been considered growth stocks. Why are so many tech stocks now (2022) being classified as value stocks?
 - a. Falling tech stock prices combined with strong fundamentals like profitability and cash flow have caused them to be classified as value stocks.
 - b. Still considered growth stocks due to the high investment in AI
 - c. Because of AI companies are struggling to keep up, they are considered value stocks because any decline in it makes the stock seen as cheap.
 - d. People don't think that they should be value stocks because of the outdated price to book ratios because of the intangible items.
 - e. If facebook would sell their data alone they would make millions.
 - f. Credit companies keep things free by selling your data to others.

GROUP 5 - VALUE INVESTING IS BACK. BUT HOW DO YOU CHOOSE THE RIGHT ETF? (WEINBERG, 2022)

1. In the past 10 years, which stocks have performed better, growth or value?
 - a. Growth. *“U.S markets are inherently biased toward growth, with a heavy emphasis on technology stocks”* – Matthew Krajna.
2. What metrics does the S&P Dow Jones uses to rate a firm’s value?
 - a. P/E, P/B, P/S, P/EG, P/CF
3. Are all value ETFs the same? How are they different?
 - a. No. Some are actively managed, others are passively managed and track an index. Example: SCHV is passive; BUSA is active. And value ETFs can define value differently.

PREVIEW UPCOMING WEEK

- 11/18 Presentations – **Submit presentation by noon on 11/18. Full report by Sunday 11/23.**

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGLO-pZoJC70y0FUxw/edit?usp=sharing

- Disney
- Amazon
- Ford
- Nike
- Apple

- 11/18 Canvas Session 11 – Textual Analysis

<https://uvu.instructure.com/courses/615622/pages/session-11-textual-analysis>

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 10 After-Class Reflection Prompts (Choose 1)
 - a. What would your investment preference be right now - value or growth? Why?
 - b. Which combination of metrics would you like to see to enhance a Price to Book ratio for value investing decision?

SESSION 11 - TEXTUAL ANALYSIS

(NOVEMBER 18, 2025)

ACC 6250-602
Instructor: Tai Thornock

PRESENTATIONS

- 11/18 Presentations. **Full report by Sunday 11/23.**

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGLO-pZoJC70y0FUxw/edit?usp=sharing

- Amazon
- Ford
- Nike
- Apple

CASH FLOW ACTIVITY - HOW TO TELL STAGE OF DEVELOPMENT

	Company			
	A	B	C	D
Net income (loss)	\$15,000	-\$20,000	\$40,000	-\$20,000
Cash flows from operating activities	\$16,000	-\$25,000	\$42,000	-\$10,000
Cash flows from investing activities	-\$5,000	-\$30,000	-\$10,000	\$4,000
Cash flows from financing activities	<u>-\$8,000</u>	<u>\$65,000</u>	<u>-\$22,000</u>	<u>-\$1,000</u>
Net cash flows	\$3,000	\$10,000	\$10,000	-\$7,000
Beginning Cash Balance	<u>\$40,000</u>	<u>\$5,000</u>	<u>\$40,000</u>	<u>\$10,000</u>
Ending Cash Balance	\$43,000	\$15,000	\$50,000	\$3,000

Which stage of development are these companies most likely in?

Start Up = B

Steady State = A

Cash Cow = C

Failure = D

CASH FLOW ACTIVITY - HOW TO TELL STAGE OF DEVELOPMENT

[NVIDIA 2023 Annual Report](#) (Pg 54)

Which stage of development based on the Statement of Cash Flows?

[Purple Mattress 2023 Annual Report](#) (Pg 87)

Which stage of development based on the Statement of Cash Flows?

SESSION 11 RECAP - VALUE INVESTING

Share Session 10 After-Class Reflection Response with you Neighbor

- What would your investment preference be right now - value or growth? Why?
- Which combination of metrics would you like to see to enhance a Price to Book ratio for value investing decision?

DETECTING LINGUISTIC TRACES OF DESTRUCTIVE NARCISSISM (CRAIG, & AMERNIC 2011)

1. What is narcissism? Is this a common trait in CEO's? Is that good or bad?
2. How can words in a letter to shareholders tell you anything about the CEO's personality?
3. How does the "Tone at the Top" play a role in financial analysis?

OTHER TYPES OF TEXTUAL ANALYSIS

Kassel, M. (2017). CEOs Simple Trick on Earnings Calls: Saying 'I,' 'We' and 'Us'. *Wall Street Journal*. Aug 6.

Janvrin, D. and Fisher, I. (2021). Textual Analysis for Accountants. *Strategic Finance*. June.

Maurer, M. (2021). SEC Digs Deeper Into Companies' EPS Manipulation. *Wall Street Journal*. Oct. 10.

TEXTUAL ANALYSIS - WHAT ANALYSES AND WHERE TO FIND?

Which types of textual analysis are relevant to your business analysis?

-

What places can you find relevant text to analyze?

-

PREVIEW UPCOMING WEEKS

- LAST CLASS – 12/2 Canvas Session 12 – Corporate Governance

<https://uvu.instructure.com/courses/617066/pages/session-12-corporate-governance>

- 12/2 Presentations – **Submit them by noon on 12/2**

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGLO-pZoJC70y0FUxw/edit?usp=sharing

- Disney
- Reddit
- United Healthcare
- Nvidia
- Eli Lilly

Remaining Assignments

- **Term Project** – Don't forget to submit your Individual Reflection (due with written report)
- **Final Individual Exam** – 50 question multiple choice exam. Available in Canvas 12/2 2:30 pm. Due 12/12. Open book, open note. 3-hour time limit from when you start.
- **Term Project** – Group project. Written report, Powerpoint submission, and individual reflection.
- **Course Evaluation** – Sent to you by e-mail. Due 12/12.

AFTER-CLASS REFLECTION

- Record in your interactive journal
- Week 11 After-Class Reflection Prompts (Choose 1)
 - a. With the ease and efficiency of generative AI, what type of textual analysis would be relevant in your current job, your term-project company materials, or other application? What documents would you choose to review, and what prompts could you use to get what you are looking for?
 - b. **If you have already presented your Term Project, answer this prompt:**
 - **Write a paragraph about how you would enhance your project with knowledge about Value and Growth Investing.**

SESSION 12 - CORPORATE GOVERNANCE

(DECEMBER 2, 2025)

ACC 6250-602
Instructor: Tai Thornock

PREVIEW UPCOMING WEEKS

- Remaining Assignments
 - **End of Class Reflection** - Assignment added in Canvas to submit today's end-of-class reflection. Counts toward participation score.
 - **Term Project** - Group project. Written report, Powerpoint submission, and individual reflection.
 - **Final Individual Exam** - 50 question multiple choice exam. Available today in Canvas 2:30 pm. Due 12/12. Open book and open note with regard to class materials. **Internet or AI search not permitted.** 3-hour time limit from when you start.
 - **Course Evaluation** - Sent to you by e-mail. Due 12/12.

- Participation Make-Up
 - E-mail me your reading notes and end-of-class reflection responses by Sunday 12/7 for any absences where you want to receive participation points.

PRESENTATIONS

- Presentation

https://docs.google.com/spreadsheets/d/1dlRiypj7_8V_QeJaW9InfsaBtkGL0-pZoJC70y0FUxw/edit?usp=sharing

- Disney
- Reddit
- United Healthcare
- Nvidia
- Eli Lilly

CORPORATE GOVERNANCE - JIGSAW ACTIVITY

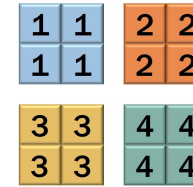
West Groups 1

Subramanian, G. (2015). *Corporate Governance 2.0*. *Harvard Business Review*. March.

1. How can corporate governance support a long-term perspective to managing a firm?
 -
2. How are directors appointed? Evaluated? Compensated?
 -
3. Do directors represent shareholders? What conflicts exist?
 -
4. What is one way Boards can know of significant changes in ownership of their stock?

Round 1 - Focus Groups

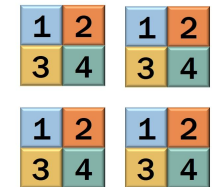
Divide students into groups and give each group a different text to read and discuss.



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Round 2 - Task Groups

Mix the groups so that students can bring their specific focus to a common task or problem.



 Jigsaw developed by Aronson (1978)

CORPORATE GOVERNANCE - JIGSAW ACTIVITY

West Groups 2

King, T. (2019). *Evolving Investor Relations*. *Strategic Finance*. Feb.

1. Do passive money managers have the same goals as other investors?
-

2. How do shareholders monitor managers? Does the principal-agent model still apply?
-

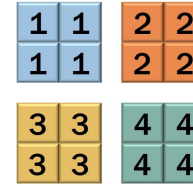
3. What are the key committees on a board of directors?
-

4. How has investor relations changed?
-

JIGSAW

Round 1 - Focus Groups

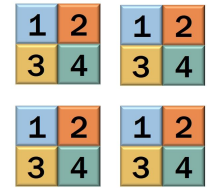
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CORPORATE GOVERNANCE - JIGSAW ACTIVITY

West Group 3

Grind, K., Glazer, E., Elliott, R., and Jones, C. (2024). The money and drugs that tie Elon Musk to some Tesla directors. *Wall Street Journal*. Feb. 3.

1. SOX 2002 and stock-exchanges like NASDAQ require a majority independent directors on publicly listed companies' boards. What are the rules to be classified as an independent director?

-

2. What is the role of the board of directors in overseeing and governing a firm?

-

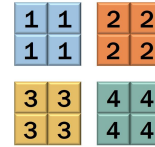
3. What are some red flags about the Tesla board noted in this article?

-

JIGSAW

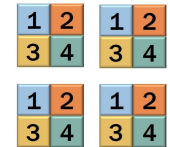
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CORPORATE GOVERNANCE - JIGSAW ACTIVITY

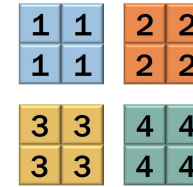
East Groups 1

Subramanian, G. (2015). *Corporate Governance 2.0*. *Harvard Business Review*. March.

1. How can corporate governance support a long-term perspective to managing a firm?
 -
2. How are directors appointed? Evaluated? Compensated?
 -
3. Do directors represent shareholders? What conflicts exist?
 -
4. What is one way Boards can know of significant changes in ownership of their stock?

Round 1 - Focus Groups

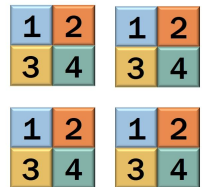
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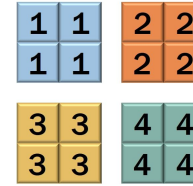
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JIGSAW

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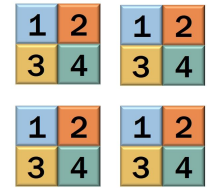
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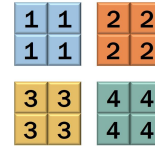
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JIGSAW

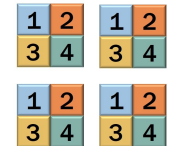
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Jigsaw developed by Aarssen (2018)

AFTER-CLASS REFLECTION

- Record in your interactive journal. **Submit after class.**
- Week 12 After-Class Reflection Prompts (**Complete both**)
 - a. What are two main things you want to remember from this course?
 - b. Which teaching strategy employed in this class did you enjoy the most, and what made it effective for you?
 - **Think, Pair, Share** (reviewing a concept with neighbor, then sharing with the class - multiple sessions)
 - **Direct Instruction** (lecture style - e.g. Stock Compensation session)
 - **Graffiti** (White-board exercise adding to the notes of others - e.g. ESG session)
 - **Jigsaw** (Group study of one concept, then teaching others as the expert - e.g. Governance session)
 - **Socratic Seminar** (Rotating debate - e.g. Insider Trading session)
 - **Other** - please specify