

# Accounting-Based Valuation (Spring 2026)

## Course Descriptions and Syllabus

### Your instructor

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Consultation hours: Please check LMS Brightspace.

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## Course Descriptions

### Overview

This course integrates financial statement analysis, corporate finance, and equity valuation to clarify how accounting information and financial metrics are reflected in stock prices and investment decisions. It provides a structured framework for inferring future company performance from today's stock price, given your required rate of return. You will learn to synthesize, compare, and contrast key valuation approaches—including Residual Income and Abnormal Earnings Growth models—and apply these tools to real companies through in-class exercises, ultimately extending the framework to disciplined buy, sell, and hold decisions.

This course is about understanding how financial metrics are mapped into stock prices. The stock market can be an intimidating venture for most people. The determination of stock prices often seems a black-box mystery. Understanding how accounting numbers are tied to the stock price and knowing what to look for in determining how much you think the stock is worth (i.e., intrinsic or fundamental value) are real advantages to investors.

When buying a piece of stock, you are paying for the company's future performance, and you need to be able to monetize and benchmark that performance using financial metrics. You will learn how to quantify the stock price that you are paying into digestible chunks. This course introduces a simple procedure for inferring the future financial metrics you need to see from the company based on what you are paying. This course also introduces you to several useful tools in assessing whether future performance, as implied by the current stock price, is attainable.

The course emphasizes practicality. You will apply the tools introduced in this course, such as in-class exercises, mid-term exams, and a final assignment and presentation involving listed companies.

## Part I – Framework for equity valuation

Part I of the course begins with a framework for equity valuation. We examine various accounting measures (e.g., dividends, free cash flows, book values, earnings) that can anchor equity valuations. Through the development of these valuation models from first principles (yes, in this course, we will derive all the models!), we can synthesize, compare and contrast the different valuation models (e.g., Dividend Discount Model, Free Cash Flows Model, Residual Income Valuation Model, Abnormal Earnings Growth Model). We can also pinpoint the relationships (or lack thereof) between various accounting variables (such as book value, earnings, EBITDA, etc.) and intrinsic values. To the extent that stock prices and intrinsic values deviate, we will better appreciate multiples such as P/B, P/E, PEG, and other ratios involving stock prices. Part I of the course concludes with tools that enable us to quantify the stock price, inferring future financial metrics we need to see from the company based on what we are paying.

## Part II – Analyzing Equity Investment

In Part II of the course, we put the knowledge acquired from Part I into practice and introduce tools that enable us to buy/sell/hold decisions on equity investment. We also examine how financial statements and specific accounting issues enhance/distort our ability to understand businesses' fundamentals. We will highlight the need to reformulate financial statements prepared under GAAP to better reflect business activities for valuation purposes. We also provide a structured approach to identify value drivers (through profitability analysis) and to support sustainable growth. We will also explore tools to identify and quantify how changes in certain factors (e.g., business risk factors, business outlook, or affiliation with related companies) affect a company's stock price.

## **Course Objectives**

By the end of the course, you should be able to answer the following questions:

- How are financial metrics mapped into stock price?
- How are fundamental values (or "intrinsic values") estimated?
- What is the relevance (for valuation purposes) of cash flows? Of dividends? Of earnings? Of book values?
- What do business activities determine value?
- How is "value created for shareholders" identified?
- What determines a firm's P/E ratio? How does one calculate what the P/E should be?
- What determines a firm's market-to-book (P/B) ratio? How does one calculate what the P/B should be?
- How does one dissect the financial statements to obtain the relevant information for valuing equities?
- How does ratio analysis help in valuation?
- What is growth? How does one analyze growth? How does one value a growth firm?
- What are the accounting issues that may hinder our understanding of the fundamentals of the business?
- How do we utilize valuation models and analysis to facilitate the right questions to ask?
- How do you quantify the odds of your equity investment?

- How do we quantify future payoffs from owning a company's stock into measures we can continuously monitor?
- How do you incorporate what you observe about the company and translate that knowledge into the stock price you are willing to pay?
- How do we quantify factors that may impact the stock price? - How do you analyze a company's risk factors?

## Reading

Class notes are mandatory reading for our course.

## Other Materials

You can also access all course-related materials on LMS Brightspace.

## Assessments

Your final grade is calculated based on the following:

Quizzes	15%
Mid-term Exam	40%
Individual Final Project & Presentation	40%
Valuation services & Guidelines on Valuation approaches	5%

### Description of assessments

#### *Final Individual Project & Presentation*

Aim: Derive a buy/sell/hold decision for your selected publicly traded company

Deliverables: Powerpoint Slides & Excel File(s)

#### *VS 100 & Guidelines on valuation approaches*

A test on your awareness of VS100 & guidelines on valuation approaches.

## ACADEMIC INTEGRITY

We take pride in our well-rounded education and approach our academics with honesty and integrity. Indeed, integrity is critical to all that we do here at NYU Stern. As members of our community, all students agree to abide by the [NYU Academic Integrity Policies](#) as well as the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

## **STERN CODE OF CONDUCT**

The Stern Code of Conduct and Judiciary Process applies to all students enrolled in Stern courses. Please see: <https://www.stern.nyu.edu/uc/codeofconduct>.

To help ensure the integrity of our learning community, prose assignments you submit to NYU Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

## **INTEGRITY OF CREDIT**

All course syllabi must demonstrate compliance with the University's policy on assigning course credit hours. This course meets 2x a week for 80 minutes for 13 weeks.

## **GENERAL CONDUCT & BEHAVIOR**

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations for Graduate and Undergraduate students.

(<https://www.stern.nyu.edu/portal-partners/registrar/policies-procedures/general-policies/code-conduct>)

(<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Student Conduct Policy

(<https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html>).

## **GRADING GUIDELINES**

### **Grading Information for Stern Core Courses**

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an "A" or "A-" grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

### **Grading Information for Stern Elective Courses**

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

## **STUDENT ACCESSIBILITY**

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility ([212-998-4980](tel:212-998-4980), [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

## **STUDENT WELLNESS**

Our aim is for students to be as successful academically as they can, and to help them overcome any impediments to that. Any student who may be struggling and believes this may affect their performance in this course is urged to contact the Moses Center for Student Accessibility (see also the Student Accessibility section of this syllabus) at 212-998-4980 to discuss academic accommodations. If mental health assistance is needed, call the NYU's 24/7 Wellness Exchange hotline 212-443-9999. Furthermore, please approach me if you feel comfortable doing so. This will enable me to provide relevant resources or referrals. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

Graduate students can also reach out to the Academic Advising team at [academicaffairs@stern.nyu.edu](mailto:academicaffairs@stern.nyu.edu) if you would like to receive more information or further support.

## **NAME PRONUNCIATION AND PRONOUNS**

NYU Stern students now have the ability to include their pronouns and name pronunciation in Albert. I encourage you to share your name pronunciation and preferred pronouns this way. Please utilize this link for additional information: [Pronouns & Name Pronunciation](#)

## **RELIGIOUS OBSERVANCES AND OTHER ABSENCES**

NYU's [Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. You must notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. Students may also contact [religiousaccommodations@nyu.edu](mailto:religiousaccommodations@nyu.edu) for assistance.

NYU Stern is committed to ensuring an equitable educational experience for all students regardless of identity or circumstances and strives to recognize the obligations its students have outside of Stern. Please review all class dates at the start of the semester and review all course requirements to identify any foreseeable conflicts with exams, course assignments, projects, or other items required for participation and attendance. If you are aware of a potential conflict, please contact me as soon as possible to discuss any potential conflicts to determine whether/how they can be accommodated.

## **LAPTOPS, CELL PHONES & OTHER ELECTRONIC DEVICES**

The use of electronic devices (e.g., tablets or laptops), for the purpose of note-taking only, is permitted. However, students should make every effort to avoid distracting their classmates or disrupting the class, including arriving early and choosing a seat that is less distracting for peers.

## **INCLUSION STATEMENT**

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives with a goal of understanding how others might see situations differently. By participating in this course, it is the expectation that everyone commits to making this an inclusive learning environment for all.

## Overview of Topic Outline and Descriptions

### Part I. The Set-up: Choosing a Valuation Model

#### 1. Stock price - a black-box mystery

We may have some idea of what financial metrics are important in determining how much an investment is worth; however, we are unable to pinpoint the exact relation between accounting variables and stock price. Without an understanding of the relationship between accounting variables and stock prices, we may mistakenly see a relationship between that accounting variable and stock price upon seeing a correlation between certain factors and the stock price. How many times have you heard "I am willing to buy stock at P/E below X or P/EBITDE of X times? Such thinking often leads to ill-conceived valuation model that leads you to paying too much for your investment. A real edge comes only when you demystify the black box and gain a true understanding of how things work.

#### 2. Our benchmarks for performance – accounting metrics

In order to employ accounting metrics in valuing our investment, we need to be first introduced to various accounting metrics and how we can employ them in quantifying the company's performance.

#### 3. Show me the money – unraveling the blackbox

You can talk as much as you want but if you can't deliver what you've promised, stop talking. This premise – the expectation that we'll receive what we've been promised – is the basis for our thinking when we are determining how much we are willing to pay for an investment. In unraveling the blackbox, we are quantifying what we need to see from our investments – tangible and measurable payoffs. We develop a framework to begin appreciating how equity valuation can be conducted.

#### 4. What to bet on – choosing an anchor to gain an edge

We explore various commonly cited valuation models such as the dividend discount model, the discounted cash flows model, the residual income model and the abnormal earnings growth valuation model. We compare, contrast and synthesize the various models and choose the one most likely to produce the best value estimate given our constraints.

### Part II: How to Apply the "edge"

#### 5. Quantifying your bet – building blocks

We quantify price into building blocks as our way to decipher price information into digestible chunks. We learn how to quantify the stock price we are paying into (i) stockholders' claim of asset value, (ii) earnings power, and (iii) speculative growth. We also better understand P/B and P/E ratios and their implication for future financial metrics.

#### 6. Know your odds – inferring expectations from your bet (from the stock price you are willing to pay)

Rather than speculative on future performance, we'll apply the art of reverse engineering, using what's available, to quantify future performance into measurable benchmarks. We

learn a simple three-step-procedure to infer future performance from a stock's current price. We also further appreciate the stream of expected earnings that we are paying for each building block from topic 5.

#### 7. What worked in the past? Assessing your odds – benchmarking against past performance

How do we assess management performance? We learn how to separate management's operating activities from the company's financing activities. We also focus on ratios of management performance (RNOA, PM and ATO) that directly impact stock price. After we infer future performance monetized in terms of expected financial metrics that we need to observe from the company, we ask whether the implied metrics based on our price and expected rate of return are attainable based on past performance.

#### 8. Let it all hang out – constructing future statements and how each metric is mapped into stock price

We will construct what future financial statements would look like as implied by stock price. We further focus on the implied future sales and earnings we expect from the company.

#### 9. Potential roadblocks – analysis of quality of financial statements

We examine how specific accounting issues enhance/distort our ability to understand the fundamentals of businesses.

#### 10. Sharpening my new "edge"

We examine information contained in SEC filings, specifically the qualitative information. We will identify, examine, and quantify how changes in particular factors (e.g., business risk factors, business outlook or affiliation with related companies) will impact a company's stock price.

#### 11. Presentation – Buy/Sell/Hold

The course has given you the edge to understand the moving variables that determine stock price and quantify these variables into observable financial metrics. You are able to do your own diligence on the stock tips you receive, articulate the future financial metrics you can expect to see from the company. More importantly, you now are able to substantiate your investment decision using financial metrics.

## Tentative Class Schedule

Session	Topics	Readings - Class Notes	
1. 1/26	Introduction Framework for Valuation Accounting-based Valuation Common mistakes in Valuation	CN1	
2. 1/28	Business activities and accounting metrics <b>ΔCash vs Net Income</b> Free Cash Flows and Accounting Information	CN2	
3. 2/2	Valuation of a Savings Account Valuation Fundamentals	CN3	
4. 2/4	Comparable Firm Approach Asset-based Valuation Approach Investments with Finite Time Horizon	CN3	
5. 2/9	Discounted Cash Flow Model	CN4	
6. 2/11	Residual Income Valuation Model	CN5	
2/16	No Class		
7. 2/18	Residual Income Valuation Model (cont.)	CN5	
8. 2/23	Residual Income Valuation Model (cont.)	CN5	
9. 2/25	Residual Income Valuation Model (cont.)	CN5	
10. 3/2	Residual Income Valuation Model (cont.)	CN5	
11. 3/4	Abnormal Earnings Growth Valuation Model	CN6	
12. 3/9	Abnormal Earnings Growth Valuation Model (cont.)	CN6	
13. 3/11	Abnormal Earnings Growth Valuation Model (cont.)	CN6	
<b>3/16 &amp; 3/18</b>	<b>Spring Break (no classes)</b>	<b>3/24 &amp; 3/26</b>	<b>Spring Break (no classes)</b>
14. 3/23 15. 3/25	Mid-Term Review		
<b>16. 3/30</b> <b>17. 4/1</b>	Mid-Term (take-home) available to download on 3/30 Mid-Term (take-home) - keep working on mid-term		

<b>Session</b>	<b>Topics</b>	<b>Readings - Class Notes</b>
18. 4/6	<b>Mid-Term Due before the start of class</b> Reformulation and Ratio Decomposition	CN7
19. 4/8	Accounting Relations and Forecasting Implied Forecasts from Reverse Engineering	CN8
20. 4/13	Comprehensive Example	CN9
21. 4/15	Comprehensive Example (cont.)	
22. 4/20 23. 4/22	Comprehensive Example (cont.)	CN10
<b>24. 4/27</b>	<b>Individual Final Project – Buy/Sell/Hold</b>	
<b>25. 4/29</b>	<b>Individual Final Project – Buy/Sell/Hold</b>	
<b>26. 5/4</b>	<b>Individual Final Project – Buy/Sell/Hold</b>	