

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business

School of Accounting

ACCT5910

BUSINESS ANALYSIS AND VALUATION

**COURSE OUTLINE
SEMESTER 1, 2009**

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1. COURSE INSTRUCTORS

1.1 Staff contact details

Co-ordinator /Instructor Dr Wen He
Location: QUAD3059 (Quadrangle Building)
Phone: 9385 5813
Email: wen.he@unsw.edu.au

Instructor Mr Cheng Y. Lai
Location: QUAD 3090
Phone: 9385 6609
Email: cheng.lai@unsw.edu.au

Instructor Mr Buck Samrai
Location: QUAD 3109
Phone: 9385 5907
Email: bucksamrai@bigpond.com

1.2 Communication and consultation

Consultation times: Wen He Tuesday 10am – 12pm
Cheng Lai Monday 2pm – 5pm

For security reasons staff can only respond to emails from your official university account. This way we can verify that we are communicating with the correct student. It is your responsibility to check this account regularly. If you prefer to use a different address please ensure that your UNSW email is forwarded and that you include your name and student ID when communicating with staff or other students.

2. COURSE DETAILS

2.1 Teaching Times and Locations

Seminar	Week Day	Time	Venue
Stream A	Monday	10am – 1pm	Webster 251
Stream B	Monday	2pm – 5pm	Webster 251
Stream C	Monday	6pm – 9pm	Law 162
Stream D	Tuesday	2pm – 5pm	Quadrangle G053
Stream E	Tuesday	6pm – 9pm	Law 162

2.2 Units of Credit

This course has a total of **6** units of credit.

2.3 Summary of Course

This course is about the analysis of financial information arising primarily from the financial reports of entities. Fundamental analysis techniques are examined in detail with particular emphasis on the application of these techniques in equity (share) valuation decisions. The course comprises three related parts. Part one outlines the four basic steps in the fundamental analysis framework: business analysis, accounting analysis, financial analysis and prospective analysis. The next

part combines these skills in addressing the question of valuation, while the final section of the course applies the skills in several different contexts, such as credit analysis, security analysis, mergers and acquisitions and financial policy decisions.

2.4 Aims and Relationship to Other Courses

Financial Statement Analysis (FSA) is a capstone course that brings together areas of financial accounting, finance and strategic management. This course is offered by the School of Accounting and is generally taken as an elective or Disciplinary Specialisation course in the Master of Commerce or Master of Professional Accounting degrees.

Because of the interdisciplinary nature of the course, this course aims to synthesize and apply what you learnt in previous courses, to further develop the graduate attributes, and to prepare you for the professional career. This course is a very useful preparatory course for the CPA, CA and CFA programs. Also due to the applied nature of the course, it is helpful to those contemplating careers in investment banking (particularly in equity research), security analysis, funds management, financial planning, business consulting, corporate finance and public accounting. The course also has wide application in personal investment activities.

To complete the advance topics covered in the course, a certain level of prior knowledge in both accounting and finance is assumed. The following courses (or acceptable equivalents) are the minimum prerequisites and must be completed to enroll in the course:

- One of: ACCT5930 Financial Accounting or COMM5003 Managing for Value Creation 2 –

AND ALSO - one of

- FINS5511 Corporate Finance or FINS5513 Security Valuation & Portfolio Selection.

2.5 Student Learning Outcomes

On successful completion of the course you should be able to:

1. Describe and apply the basic techniques of financial statement analysis (FSA);
2. Explain the linkage between strategic business analysis, accounting analysis and financial analysis;
3. Identify and utilise value-relevant information contained within financial statements;
4. Recognise and explain the fundamental role of accounting numbers in the valuation of entities;
5. Prepare and substantiate a valuation that incorporates the strategic, accounting and financing activities of a business entity.
6. Learn independently and to assume responsibility for the learning process;
7. Learn within teams (such skills as task assignment and management, conflict resolution and co-operation, consensus building, and leadership);
8. Conduct applied business research (including locating and critically interpreting and evaluating firm-specific financial information);

9. Apply FSA knowledge in both local and global organizational contexts;
10. Provide professional business presentations (both oral and written).

This course contributes to your development of the following Australian School of Business Graduate Attributes, which are the qualities, skills and understandings we want you to have by the completion of your degree.

Graduate Attributes

Course Learning Outcomes	ASB Graduate Attributes
1 – 5, 8, 9	1. Critical thinking and problem solving
10	2. Communication
7	3. Teamwork and leadership
9	4. Social, ethical and global perspectives
4, 5, 8, 9	5. In-depth engagement with relevant disciplinary knowledge
6 – 10	6. Professional skills

3. LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

This course helps you to apply the accounting knowledge and skills you acquired in previous courses to analyze and determine the value of a company in the real business world. We will explain basic techniques and principles of financial statement analysis in seminars. We will use case studies extensively to illustrate how to analyze and value a business. To gain most from this course, you are encouraged to think critically and participate actively in the class discussion. To achieve this, preparations before classes are essential. You also have a chance to analyze and value a real company, which requires you to take initiatives and work effectively in a group environment.

3.2 Learning Activities and Teaching Strategies

Seminar Procedure:

There will be one three-hour seminar each week. The seminar will involve a one-to-two-hour lecture component and a workshop that either precedes or follows the lecture. The workshop may be used to discuss a case, review assigned problems or practice skills. Normally case studies will be discussed in the week following the related lecture. You should bring your prescribed textbook and a calculator to each class.

It is essential that, prior to a seminar, you read the relevant course materials and prepare written responses to assigned/case study questions. Seminar/case study questions often require additional research beyond the normal prescribed readings.

Self Study:

Self study is a key element of the learning design of this course. In most sessions readings and self study materials will be provided in class and/or posted on WebCT to facilitate deeper learning of core elements of the course. The aim of these self-study materials is to encourage you to assume responsibility in the learning process, and to broaden your understanding of the material covered in class. Please note that there are no readings sets required to be purchased at the start of the course.

4. ASSESSMENT

4.1 Formal Requirements

Satisfactory performance in all components of the course is required to gain an overall passing grade. Further details of assessment items are outlined below.

4.2 Assessment Details

Assessment Task	Weighting	Learning Outcomes assessed	ASB Graduate Attributes assessed	Due Date
Weekly Case Write-up	10%	1 – 5, 6, 8,9	1,4,5,6	Week 2 – 11
Mid-Term Quiz	10%	1 – 5	1,5,6	Week 6
BAV Project	30%	1 – 5, 6 – 10	1 – 6	Week 12
Final Exam	50%	1 – 5, 6, 8, 9	1, 4, 5, 6	Exam Period

4.2.1 Weekly Case Write-Up (10%)

The case write-up is aimed at preparing yourself for the case discussion in the seminars. You should outline your solutions to the case questions. You need to submit **FIVE** case write-ups at your choice. The case write-ups will be collected at the end of the classes in each specific week. No email or faxed submission of assignments will be accepted. Two marks will be rewarded to each case write-up submitted, providing that the work you submit is your own.

Formatting requirements:

Each student is required to submit a two-page typed outline of solutions for the case studies. Please use a minimum font size of Times Roman 12 point (or equivalent), with at least 1.5 line spacing (i.e., no single spacing) and margins of at least 2.5cm (top, bottom, left and right). You may use bullet points.

4.2.2 Mid-Term Quiz (10%)

The quiz will test technical competencies you gained in the first five weeks, as well as your ability to apply the knowledge to different business contexts. It will also provide feedback on your progress in this course. It will cover the course materials in the first five weeks. The quiz will have 20 multiply choice questions and will last for one hour.

Please note there is NO supplementary quiz. Students must attend their enrolled seminar stream for the quiz. If you know in advance that you cannot sit for the

quiz due to extenuating circumstances, you must contact the course coordinator seven days in advances for an alternative arrangement.

4.2.3 BAV Project (30%)

The BAV project is aimed at developing your understanding of, and practical skills in financial statement analysis and valuation. It is also designed to enhance teamwork, and analytical and communication skills. Upon successful completion of the project you will have acquired a working knowledge and practical skills in undertaking an equity valuation using 'leading-edge' financial statement analysis techniques. From past experience, the final report often provides excellent evidence of your analytical skills that can presented to prospective employers when applying for jobs.

The detailed guidelines of the BAV project will be handed out in the second class.

The project contains three components:

- a. Industry and Company Analysis (5%, due in Week 6)
- b. Group Presentation (5%, Week 12)
- c. Project Report (20%, due in Week 12)

To complete this project, you are required to:

- (1) Form syndicates of 2 to 5 members from students in your seminar stream and select an industry and a company within the industry for analysis;
- (2) Notify the course coordinator of your group's selected industry and company by the end of Week 2 (*5pm, March 20*);
- (3) Progressively analyze your company using the strategic, accounting, financial, and prospective analysis tools identified in the course.
- (4) Submit the industry and company analysis by the end of Week 6 (*5pm, April 24*).
- (5) Present your findings in the project to your class in Week 12.
- (6) Submit your written reports to the course coordinator by the end of Week 12 (*5pm, June 5*).

An overall group mark (out of 30%) will be awarded to each student for the group project but the course coordinator reserves the right to provide a reduced mark where a student has provided a sub-standard contribution to group activities. Further details on the nature and requirements of the project will be provided in Week 2 and your progress will be regularly discussed throughout the course.

4.2.4 Final Exam (50%)

The final examination will be a two hour examination at a time to be advised via the examination timetable. All material covered in the course is examinable. Further details of the exam will be provided in the Week 12 seminar.

The aim of the final exam is to assess if you have achieved an adequate level of technical competency in financial statement analysis and the capacity to apply the technical competency analytically and critically in a business environment.

4.3 Late Submission

Late submission will not be accepted. You will get zero mark for the piece of work you fail to submit on time. It is your responsibility to make sure you meet the deadlines at various stages for your group project.

5. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For UNSW's policies, penalties, and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html> as well as the guidelines in the online ELISE tutorial for all new UNSW students: <http://info.library.unsw.edu.au/skills/tutorials/InfoSkills/index.htm>.

To see if you understand plagiarism, do this short quiz:

<http://www.lc.unsw.edu.au/plagiarism/plagquiz.html>

For information on how to acknowledge your sources and reference correctly, see:

<http://www.lc.unsw.edu.au/onlib/ref.html>

For the ASB Harvard Referencing Guide, see:

http://www.docs.fce.unsw.edu.au/fce/EDU/harvard_ref_guide.pdf

6. COURSE RESOURCES

6.1 Course Resources

Prescribed Text: Palepu, K. G. and P. M. Healy, **Business Analysis and Valuation Using Financial Statements: Text and Cases, 4th ed.**, South-Western College Publishing, 2007.

Course Website

A course website will be maintained within the University's WebCT environment. You are required to have a Unipass and Unipin **and be enrolled in the course** to access this website. The WebCT site is where announcements, copies of lecture outlines, seminar questions, and other material will be posted.

6.2 Other Resources, Support and Information

You are encouraged to read business newspapers, magazines and websites to keep abreast with the latest developments in the financial markets. The following website may of interest to you:

www.wsj.com

www.businessweek.com

www.brw.com.au

www.asx.com.au

The university library provides a lot of resources:

<http://info.library.unsw.edu.au/web/services/services.html>

7. COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students about the courses offered in the School and continual improvements are made based on this feedback. In this course, we will seek your feedback through various channels including the evaluation forms.

Previous student feedback has been appreciated and incorporated into the design of this course.

8. STUDENT RESPONSIBILITIES AND CONDUCT

Students are expected to be familiar with and adhere to university policies in relation to class attendance and general conduct and behaviour, including maintaining a safe, respectful environment; and to understand their obligations in relation to workload, assessment and keeping informed.

Information and policies on these topics can be found in the 'A-Z Student Guide': <https://my.unsw.edu.au/student/atoz/ABC.html>. See, especially, information on 'Attendance and Absence', 'Academic Misconduct', 'Assessment Information', 'Examinations', 'Special Consideration', 'Student Responsibilities', 'Workload' and policies such as 'Occupational Health and Safety'.

8.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

8.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

8.3 Special Consideration and Supplementary Examinations

You must submit all assignments and attend all examinations scheduled for your course. You should seek assistance early if you suffer illness or misadventure which affects your course progress. For advice on UNSW policies and procedures for granting special consideration and supplementary exams, see:

'UNSW Policy and Process for Special Consideration':
<https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>

8.4 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

8.5 Occupational Health and Safety

UNSW Policy requires each person to work safely and responsibly, in order to avoid personal injury and to protect the safety of others. For more information, see <https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>.

8.6 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.

9. ADDITIONAL STUDENT RESOURCES AND SUPPORT

The University and the ASB provide a wide range of support services for students, including:

- **ASB Education Development Unit (EDU)** (www.business.unsw.edu.au/edu)
Academic writing, study skills and maths support specifically for ASB students. Services include workshops, online and printed resources, and individual consultations. EDU Office: Room GO7, Ground Floor, ASB Building (opposite Student Centre); Ph: 9385 5584; Email: edu@unsw.edu.au
- **UNSW Learning Centre** (www.lc.unsw.edu.au)
Academic skills support services, including workshops and resources, for all UNSW students. See website for details.
- **Library training and search support services:** <http://info.library.unsw.edu.au>
- **UNSW IT Service Desk:** Technical support for problems logging in to websites, downloading documents etc. Library, Level 2; Ph: 9385 1333.
Website: www.its.unsw.edu.au/support/support_home.html
- **UNSW Counselling Service** (<http://www.counselling.unsw.edu.au>)
Free, confidential service for problems of a personal or academic nature; and workshops on study issues such as 'Coping With Stress' and 'Procrastination'.
Office: Level 2, Quadrangle East Wing ; Ph: 9385 5418
- **Student Equity & Disabilities Unit** (<http://www.studentequity.unsw.edu.au>)
Advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning.
Office: Ground Floor, John Goodsell Building; Ph: 9385 4734

10. COURSE SCHEDULE

WEEK	WEEK COMMENCING	TOPIC	TEXTBOOK READING*	CASE STUDY
1	March 9	<i>Introduction</i>	PH Chap 1	
2	March 16	<i>Strategic Analysis</i>	PH Chap 2	The Dot-Com Crash
3	March 23	<i>Accounting Analysis 1</i>	PH Chap 3	America Online
4	March 30	<i>Accounting Analysis 2</i>	PH Chap 4	Harnischfeger
5	April 6	<i>Financial Analysis</i>	PH Chap 5	Pre-Paid Legal Services
<i>Mid-Session Break</i>				
6	April 20	<i>Forecasting</i>	PH Chap 6	<i>Mid-Term Quiz</i>
7	April 27	<i>Valuation 1</i>	PH Chap 7	Krispy Kreme Doughnuts
8	May 4	<i>Valuation 2</i>	PH Chap 8	<i>Valuation Questions</i>
9	May 11	<i>Equity Security Analysis</i>	PH Chap 9	Home Depot in the New Millennium
10	May 18	<i>Credit Analysis</i>	PH Chap 10	Merrill Lynch in 2003
11	May 25	<i>Merger & Acquisition</i>	PH Chap 11	Amazon.com
12	June 1	<i>Project Presentation</i>		

*PH: Palepu, K. G. and P. M. Healy, Business Analysis and Valuation Using Financial Statements: Text and Cases, 4th ed.