

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business

School of Accounting

ACCT3610

FINANCIAL STATEMENT ANALYSIS

**COURSE OUTLINE
SESSION 2, 2008**

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1. COURSE CO-ORDINATOR/INSTRUCTORS

1.1 Contact details

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

Instructor Dr Jeff Coulton
Location: QUAD3061 (Quadrangle Building)
Phone: 9385 5811
Email: j.coulton@unsw.edu.au

1.2 Communication and consultation

Consultation times (He): 10am – 12pm Tuesday
Consultation times (Coulton): 2pm – 4pm Monday

Please post questions about the technical content of the course (lecture and case material) to the course WebCT/E-Learning page.

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. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Tuesday 3:00 – 6:00pm Webster 251

2.2 Units of Credit

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

2.3 Relationship of this course to other course offerings

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 Bachelor of Commerce degrees. Because of the interdisciplinary nature of the course, it is a very useful preparatory course for the CPA, CA and CFA programs. Also due to the applied nature of the course, it is of interest 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 accounting and finance is assumed. The following courses (or acceptable equivalents) are the minimum prerequisites and must be completed to enroll in the course:

- **ACCT2542** and **FINS1613**

2.4 Approach to learning and teaching

Consistent with the nature and objectives of the course, emphasis is placed on translating the tools of business analysis and valuation into context-specific settings. To achieve this aim, the course is relatively case and project intensive. This hands on approach is ideal in illustrating applications of fundamental analysis principles and is effective in facilitating the development of key analytically skills (outlined below).

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

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.

3.2 Student Learning Outcomes

Content-based Learning Outcomes

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

1. Understand the basic techniques of financial statement analysis (FSA);
2. Appreciate 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.

Desired Skills-based Outcomes

As a result of satisfactorily completing this course, you should have the opportunity to:

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 specific organizational contexts;
10. Provide professional business presentations (both oral and written).

3.3 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.

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. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Preparation for and Performance in Seminars

In preparation for each seminar, you will be expected to undertake the prescribed readings, attempt cases/problem sets **prior** to attending classes, and come to class suitably prepared. With this objective in mind, marks will be awarded for your attempt at completing the assignments and your class contribution (see below for details).

4.2 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. The cumulative nature of the material covered in the course necessitates regular commitment **each week** to complete the assigned work.

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.

4.3 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 (80) per cent of scheduled classes they may be refused final assessment.

4.4 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

4.5 Keeping informed

You should keep abreast of all announcements made in seminars or on the course web site. Following each session lecture notes, summary solution points, spreadsheets and where practical, the additional reading material will be placed on the course website. If you miss a seminar, you should consult the website information prior to seeking information from the course instructor. Also, important announcements may be directly forwarded to your university e-mail address without a follow up paper copy. In all cases, you will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

Satisfactory performance in **all** components of the course is required to gain an overall passing grade. A final examination mark of **less than 50%** is considered **unsatisfactory** performance. Further details of assessment items are outlined below.

5.2 Assessment Details

The assessment items and composite marks will be calculated as follows:

Item	Assessment Item	Week	Weight	Learning outcomes
1	Minor hand in case	4, 9	10%	1-6 & 8-9
2	Case write-up	2,3,5,6,7,8,10,11	10%	1-6 & 7-10
3	Major FSA project: report	12	30%	1-5 & 7-10
4	Final Examination	Formal exam period	50%	1-6 & 7-12
			100%	

5.2.1. Minor hand in case (10%)

The minor case study is aimed at progressively building your knowledge and understanding of FSA issues as they are examined throughout the session. You should

attempt the case questions shown for the case and any other assigned questions distributed in the class.

The following assessment approach will be adopted:

(1) Assignments must be submitted at the start of the classes in the specified weeks:

No email or faxed submission of assignments will be accepted.

(2) Submitted work **must** reflect your original contribution and not that of other students. (*See plagiarism information below.*) It is acceptable to discuss your underlying approach with other students

(3) Assignments will not be marked for accuracy nor will inaccurate answers be corrected. It is your responsibility to note and clarify any corrections during the seminar.

(4) Assessment will be based on the **quality** of the attempt at answering each prescribed question. Students should note that 'real world' cases rarely have answers that are "right or wrong". No solutions to cases will be provided.

Formatting requirements:

Each student is required to submit a typed set of answers to the questions provided in the relevant case. The answers should be a maximum of two (2) pages, with an additional two (2) pages allowed to show any calculations, graphs, figures or exhibits. Any additional pages will not be considered when marking your assignments. 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. **Marks WILL BE DEDUCTED if you do not comply with these formatting requirements.**

5.2.2. Case Write-Up (10%)

The case write-up is aimed at preparing yourself for the case discussion in the seminars. You should summarize the cases and outline your solutions to the case questions. Out of 7 weeks listed in the Assessment Details (section 5.2), you need to submit FIVE case write-ups at your choice. The case write-ups will be collected at the beginning 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.

Formatting requirements:

Each student is required to submit a ONE-page typed summary and 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.

5.2.2. Financial Statement Analysis Project (30%)

The formal FSA project will be handed out in the Third class. The FSA 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 be presented to prospective employers when applying for jobs.

To complete this project, you are required to:

- (1) Form syndicates of **3 or 4 members from students in your seminar stream** and select an industry and TWO companies within the industry for analysis. You can choose the industry and companies, but please bear in mind that focusing on large and well-known companies may not help you find a mis-valued stock;
- (2) Notify the course coordinator of your group's selected industry and company by the end of **Week 3**;
- (3) Progressively analyse your company using the strategic, accounting, financial, and prospective analysis tools identified in the course and submit your progressive analysis when randomly collected (together with any other assigned seminar case work);
- (4) Submit your written reports must be submitted to the course coordinator by **3pm, Friday 24 October (Week 12)**;

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 3 and your progress will be regularly discussed throughout the course.

5.2.3. Final Examination (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.

5.3 Special Consideration and Supplementary examinations

The School of Accounting follows the UNSW and Australian School of Business (ASB) policy and process for Special Consideration (see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>).

UNSW Policy and Process for Special Consideration

(see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>)

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will not be accepted by teaching staff;

- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note that a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

ASB Policy and Process for Special Consideration and Supplementary Exams in Undergraduate Courses

In the ASB, requests for special consideration are determined by a Faculty wide panel which will advise the Lecturer in Charge of appropriate action.

If the Faculty panel (see above) grants a special consideration request, this may entitle the student to sit a supplementary examination. In such cases the following procedures will apply:

- Supplementary exams will be scheduled centrally and will be held approximately two weeks after the formal examination period. Actual date will be advised by mid-semester.
- Where a student is granted a supplementary examination as a result of a request for special consideration, the student's original exam (if completed) will not be marked and only the mark achieved in the supplementary examination will count towards the final grade.

Further information concerning supplementary examinations is available on the 'Policies and Guidelines for Current Students' page of the ASB website: www.business.unsw.edu.au/currentstudents.

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see:

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

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;

- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESOURCES

7.1 Course Resources

Prescribed Text: Palepu, K. G., P. M. Healy, and V. L. Bernard, **Business Analysis and Valuation Using Financial Statements: Text and Cases, 4th ed.**, South-Western College Publishing, 2007. Students should ensure that their copy of the text also includes the related financial analysis and valuation software disk, which will be needed during the course.

Course Website

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

7.2 Other Resources, Support and Information

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

ASB Education Development Unit

The Education Development Unit (EDU) provides learning support and assistance to all students in the ASB, to enable them to enhance the quality of their learning. The EDU services are free, and tailored to meet the academic needs of students in the Australian School of Business.

The role of the EDU is to provide

- A range of support initiatives for students from the Australian School of Business in relation to their transition to university;
- Learning skills development, resources and activities for Business students
- Academic writing and skills workshops throughout the session;
- Printed and online study skills resources, such as referencing guides, report writing and exam preparation;
- A drop-in EDU Office containing books and resources that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

The EDU website www.business.unsw.edu.au/edu contains information, online resources and useful links as well as providing information and dates for workshops. More information about the EDU services including resources, workshop details and registration, and consultation request forms are available from the EDU Office.

EDU Contact Details

Location Room GO7 Ground Floor,
West Wing, Australian School of Business Building
Telephone: 02 9385 5584
Email: Edu@unsw.edu.au
Website www.business.unsw.edu.au/edu

UNSW Learning Centre (<http://www.lc.unsw.edu.au>)

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for all UNSW students. The Learning Centre is located on Level 2 of the Library and can be contacted by phone: 9385 3890 or through their website.

Technical support:

For any technical support issues (difficulty logging in to websites, problems downloading documents, etc) you can contact the UNSW IT Service Desk at: (02) 9385 1333 ; Email: servicedesk@unsw.edu.au

Counselling support - <http://www.counselling.unsw.edu.au>

Students experiencing problems of a personal or academic nature are encouraged to contact the Counselling Service at UNSW. This consultation service is free and

confidential and run by professional counsellors. The Counselling Service also conducts workshops on topics such as 'Coping With Stress' and 'Procrastination'. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contacted on 9385 5418.

Library training and support services - <http://info.library.unsw.edu.au>

Disability Support Services – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.studentequity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

Examination procedures and advice concerning illness or misadventure
<https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>

Occupational Health and Safety policies and student responsibilities;
<https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. COURSE SCHEDULE

Week	Date	Topic	Textbook Reading*	Case study
1	29 July	Introduction Overview/Strategic Analysis	PH 1, 2	
2	5 August	Management communication & corporate governance	PH 12	The Dot-Com Crash (p. 1-12)
3	12 August	Accounting Analysis Introduction	PH 3	Investec Corporation (p 2-21)
4	19 August	Accounting analysis Implementation	PH 4	Harnischfeger (p. 3-20)
5	26 August	Financial analysis Ratio analysis	PH 5	Lucent Technologies (p. 4-49)
6	2 September	Prospective analysis Forecasting	PH 6	UPS (p. 5-43)
7	9 September	Prospective analysis Valuation theory/concepts	PH 7	Krispy Kreme Doughnuts (p. 6-24)
8	16 September	Prospective analysis Valuation implementation	PH 8	Assigned Problems
9	23 September	Equity security analysis	PH 9	Home Depot in the New Millen. (p.8-20)
		Mid-session break		
10	7 October	Credit analysis	PH 10	Merrill Lynch in 2003 (p. 9-19)
11	14 October	Mergers and acquisitions	PH 11	Amazon.com (p. 10-20)
12	21 October	Financial policy analysis	PH 12	

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

Please note that additional readings, exercises, problems and cases may be assigned during the course. It is your responsibility to ensure that you are up to date with the requirements prior to attending each seminar.