

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business

School of Accounting

ACCT3610

FINANCIAL STATEMENT ANALYSIS

**COURSE OUTLINE
SEMESTER 2, 2009**

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1. STAFF CONTACT DETAILS

LIC/Instructor: Mr. Jerry Chen
Location: QUAD3058 (Quadrangle Building)
Phone: 9385 6930
Email: j.chen@unsw.edu.au

Consultation time: 11am – 1pm Wednesday

Students with questions regarding the course content or administration are encouraged to:

- Check WebCT Vista course website and the Faculty/School website
- Ask the instructor at the end of the lecture or at his consultation time
- Email the discussion board on WebCT Vista.

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 time and Location

Monday 14:00 – 17:00 Quadrangle Building G031

2.2 Units of Credit

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

2.3 Summary of Course

This course provides a comprehensive framework for using financial statement data in a variety of business analysis and valuation contexts. Fundamental analysis techniques are examined in details with particular emphasis on the application of these techniques in equity (share) valuation decisions. The course comprises two related parts. Part 1 outlines the four basic steps in the framework for business analysis with financial statements: strategy analysis, accounting analysis, financial analysis and prospective analysis. Part 2 applies the above framework to a variety of business analysis and valuation contexts including equity security analysis, credit analysis, and mergers and acquisitions.

2.4 Course Aims and Relationship to Other Courses

This course aims to provide students with hands-on experience in financial statement analysis. Students will be exposed to general techniques of financial statement analysis, theoretical concepts, and practical valuation issues. By the end

of the course, students are expected to use firms' financial statement data to understand their performance and estimate their valuation reasonably.

This course is offered by the School of Accounting and is generally taken as an elective or disciplinary specialization course in the Bachelor of Commerce, Master of Commerce or Master of Professional Accounting degrees. Because of the interdisciplinary nature of the course, it is a very useful preparatory course for the CPA, CA and CFA programs. 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**

2.5 Student Learning Outcomes

By the end of this course, you should be able to:

1. recognize financial statement data used in business analysis and valuation;
2. explain basic steps of financial statement analysis, including business strategic analysis, accounting analysis, financial analysis and prospective analysis;
3. apply each step(s) of financial statement analysis in context-specific settings;
4. prepare a valuation report based on financial statement analysis to estimate firm value in context-specific settings;
5. express your ideas coherently and logically when working both independently and cooperatively in both oral presentation sessions and the group project.

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

3. LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

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.

3.2 Learning Activities and Teaching Strategies

There will be one three-hour seminar each week. The seminar will involve a one-hour workshop component and a one or two-hour lecture that follows the workshop. 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 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 reading sets required to be purchased at the start of the course. All additional reading materials will be distributed in class.

4. ASSESSMENT

4.1 Formal Requirements

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

4.2 Assessment Details

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

Assessment Task	Weighting	Learning Outcomes Assessed	Due Date
1. Case Presentation & Discussion	15%	1,2,3,5	Every week, beginning in Week 3
2. Class Participation	10%	1,2,3,5	Every week, beginning in Week 1
3. Group Project	25%	1,2,3,4,5	Week 12
4. Final Exam	50%	1,2,3	Centrally scheduled final exam
Total	100%		

4.3 Assessment Format

PLEASE NOTE: Both **Case Presentation & Discussion** and **Group Project** will be completed based on group work. Each group will be composed of 5 students. You are required to self-select into a group in **Week 1**.

1. Case Presentation & Discussion (15%)

The case presentation & Discussion is aimed at developing your understanding of financial statement analysis techniques, developing your capabilities to cooperate

with other syndicates and building your skills to communicate your comprehension effectively.

The cases to be assigned are outlined in far right column of the course schedule on Page 10 of this course outline. **Your case presentation & discussion starts in Week 3 and ends in Week 11.** The instructor will deliver the case presentation of Week 2 for demonstration purpose. Each group will be assigned a case **two weeks** before its presentation week. For example, Week 3&4 presenting groups will be decided by the instructor in Week 1 and Week 2 respectively; Week 5 presenting group will be decided by Week 3 presenting group; and so on.

The presentation should be designed to answer questions provided in the relevant case and the format will be decided by the team. The presentation will generally last for 30 – 40 minutes followed by a discussion from a different group and group members answering questions from other students as well as the instructor. The corresponding discussion group will be assigned by the instructor in **Week 1**.

Assessment will be based on **quality** of the presentation and discussion. An overall group mark (out of 15) will be awarded to each student of the team but the instructor reserves the right to provide a reduced mark where a student has provided a sub-standard contribution to team activities.

2. Class Participation (10%)

Because this is a case course, class participation is expected regardless of whether or not we are covering your selected cases. The class participation grade of 10% will be based on your average degree of participation in the class discussion and your abilities to solve the problems distributed in the class.

3. Group Project (25%)

The group 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, each group is required to:

- select a listed company in ASX during **Week 1** (you can find the complete list here <http://www.asx.com.au/asx/research/listedCompanies.do>);
- notify the instructor of your group's company by **Week 2**;
- progressively analyze your company using the strategic, accounting, financial, and prospective analysis tools identified in the course and submit your progressive analysis when randomly collected;
- present your project report in the final class (**Week 12**);
- submit your written report to the instructor by **5pm, Friday 16 October (Week 12)**.

At the time you submit your final project you should also submit an evaluation of the performance of your other group members. If you and your other group members do not submit individual group member evaluation forms then all group members will receive the same grade on their group project. However, if I hear from the other group members that an individual's performance is significantly above or below that of other group members, then a different grade will be awarded. Further details on the nature and requirements of the project as well as the evaluation form will be provided in **Week 2** and your progress will be regularly discussed throughout the course.

4. Final Examination (50%)

The final examination will be a **two-hour** and **open-book** examination at a time to be advised via the examination timetable. All materials covered in the course are examinable and the exam content will be similar in spirit to the problems distributed in class.

4.4 Late Submission

No late submission is permitted.

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>.

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.

6. COURSE RESOURCES

Prescribed Textbook

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 textbook 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 materials will be posted.

7. COURSE EVALUATION AND DEVELOPMENT

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.

8. STUDENT RESPONSIBILITIES AND CONDUCT

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

8.3 Special Consideration and Supplementary examinations

The School of Accounting follows the UNSW and Australian School of Business (ASB) policy and process for special consideration and supplementary examinations.

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.

The 'ASB Policy and Process for Special Consideration and Supplementary Exams in Undergraduate Courses' is available at:

<http://wwwdocs.fce.unsw.edu.au/fce/current/StudentSuppExamProcedure.pdf> .

Further information for undergraduate students is on the ASB website (see '[Policies and Guidelines for Current Students](#)').

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
- **Capturing the Student Voice:** An ASB website enabling students to comment on any aspect of their learning experience in the ASB. To find out more, go to <http://tinyurl.com/ASBStudentVoice>.
- **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	Date	Topic	Textbook Reading*	Case study
1	20 July	Introduction Overview/BAV framework	PH 1	
2	27 July	Strategy analysis	PH 2	The Dot-Com Crash (p. 1-12)
3	3 August	Accounting analysis Introduction	PH 3	Investec Corporation (p. 2-21)
4	10 August	Accounting analysis Implementation	PH 4	Harnischfeger (p. 3-20)
5	17 August	Financial analysis	PH 5	Lucent Technologies (p. 4-49)
6	24 August	Prospective analysis Forecasting	PH 6	UPS (p. 5-43)
7	31 August	Prospective analysis Valuation theory and concepts	PH 7	Krispy Kreme Doughnuts (p. 6-24)
		Mid-semester break		
8	14 September	Prospective analysis Valuation implementation	PH 8	Restaurant Industry (p. 7-23)
9	21 September	Equity security analysis	PH 9	Home Depot in the New Millen. (p.8-20)
10	28 September	Credit analysis	PH 10	Merrill Lynch in 2003 (p. 9-19)
11	5 October	Mergers and acquisitions	PH 11	Amazon.com (p. 10-20)
12	12 October	Group project presentations and Wrap up		

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

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.