FIN 424/924 ADVANCED FINANCIAL STATEMENT ANALYSIS 6 CP

AUTUMN 2007 WOLLONGONG CAMPUS

Subject Coordinator

Ms. Connie Spasich  
School of Accounting & Finance

Room: 40 305  
Ph: 4221 3605  
email: connie_spasich@uow.edu.au

Consultation: Monday  
Wednesday  
Time: 1.30 – 3.30pm  
9.15 -11.15am

Bookings during the above times must be made via the commerce consultation booking system at the following web address:  
http://commfac.commerce.uow.edu.au/ccs/

Lecturer

Ms. Connie Spasich  
School of Accounting & Finance

Room: 40 305  
Ph: 4221 3605  
email: connie_spasich@uow.edu.au

Consultation: See above under “subject co-ordinator”  
Time: See above under “subject co-ordinator”.
SECTION A: GENERAL INFORMATION

LECTURE & WORKSHOP TIMES

Lectures will be held on Monday at 9.30am to 10.30am Room 102, Building 67
Lectures will be followed by a workshop on Monday 10.30am to 12.30pm Room 102, Building 67

LECTURE PROGRAM

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topics Covered</th>
<th>Chapter(s)</th>
</tr>
</thead>
</table>
| 1    | 26.02.07   | Emergency Evacuation Procedures  
Introduction to the subject including introduction to security analysis and efficient markets | 1 and 2     |
| 2    | 05.03.07   | Business and Accounting Analysis                                                | 3 and 4     |
| 3    | 12.03.07   | Financial Statement Analysis                                                    | 5 and 6     |
| 4    | 19.03.07   | Discount Rates in Valuation                                                     | 7           |
| 5    | 26.03.07   | Dividend Discount and the Flows to Equity                                      | 8           |
| 6    | 02.04.07   | Free Cash flow Model and Analysis                                              | 9           |
|      |            | **Multiple choice test 1 in Workshop period**                                  |             |
| 7    | 16.04.07   | Forecasting Free Cash Flows and the Adjusted Present Value Model               | 10 and 11   |
| 8    | 23.04.07   | The Residual Income Model and The Theory of Multiples                          | 12 and 16   |
| 9    | 30/04/07   | PE Ratios and Earnings Growth                                                  | 17          |
|      |            | **Multiple choice test 2 in Workshop period**                                  |             |
| 10   | 07.05.07   | No Classes- Reading Week                                                       |             |
| 11   | 14/05/07   | Additional Issues in Multiples Analysis                                         | 18          |
| 12   | 21/05/07   | Presentations                                                                  | -           |
| 13   | 28/05/07   | Presentations                                                                  |             |

Please Note: The above schedule is subject to changes. Also other reading materials may be assigned during the lectures each week. All assigned readings and lecture note content in this course are examinable.
SECTION A: GENERAL INFORMATION (CONT.)

BRIEF SUBJECT DESCRIPTION
This subject examines the framework for financial statement analysis with discussion of the role of accounting information and intermediaries. Emphasis is on the appraisal and prediction of corporate financial performance from publicly available information such as accounting numbers, industry and economic statistics as well as other stock market data. Cases and problems are gradually introduced, provoking an analytical and creative thinking process ending with the evaluation and preparation of appropriate business strategies.

STUDENT LEARNING OUTCOMES
At the completion of this subject you should be able to:

1. Perform effective financial statement analysis.
2. Identify relevant information in the financial statement in various decision contexts.
3. Explain how ‘fundamentals’ such as dividends, cash flows, earnings and book values are used in the valuation of firms.
4. Analyse the quality of accounting in financial reports.
5. Evaluate business strategies.

ATTENDANCE REQUIREMENTS
In order to maximise learning outcomes and performance, it is strongly recommended that students attend all lectures.

PERFORMANCE LEVEL
To be eligible to pass this subject, students must achieve an overall mark of at least 50%, and at least 40% on the final examination.

SCALING:
Marks in this subject may be scaled. Any scaling will be statistically consistently applied across all students.

REQUIRED TEXT
This textbook can ordered online from the University Bookshop at
http://unishop.uow.edu.au/textbooks/
RECOMMENDED BACKGROUND AND FURTHER READING

In addition to the required text, students may find the following texts helpful:


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This is not an exhaustive list of references. Students should also use the library catalogue and databases to locate additional resources.

Calculators and Spreadsheets

All accounting and finance subjects involve problems requiring calculation. Many of these can be solved using a scientific calculator (addition, subtraction, division, multiplication, powers, square roots, logarithms and exponentials, statistical functions) and students should make sure they have access to such a calculator at the beginning of each subject. Students will also find a range of statistical, scientific and financial functions in electronic spreadsheets like Microsoft Excel, and these are useful for the preparation of submitted work where manual calculation is not strictly required or recommended.

However, students should also consider purchasing a financial calculator. These offer nearly all of the functions found in scientific calculators, as well as compound interest and discounting, amortization, bond yields and investment appraisal functions (including net present value and the internal rate of return). Students will find these are of great benefit in their studies and their future careers. Examples of suitable calculators include the Casio FC-100V and 200V, Sharp EL733A and EL735, Hewlett-Packard HP 10bII, 12c, 12c Platinum and 17bII+ and Texas Instruments BA II Plus.
## SECTION B: ASSESSMENT

### ASSESSMENT TASKS

<table>
<thead>
<tr>
<th>Assessment 1:</th>
<th>2 x Multiple Choice Tests (no supplementary tests will be held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length</td>
<td>55 minutes allowed for each test</td>
</tr>
<tr>
<td>Type</td>
<td>30 questions in each test</td>
</tr>
<tr>
<td>Weighting</td>
<td>30% (ie 15% for each exam / ½ mark for each correct answer)</td>
</tr>
</tbody>
</table>
| Due Date     | **Test 1:** Held week 6 (WB 26 March 2007) – all topics up to and including week 5  
**Test 2:** Held week 9 (WB 30 April 2007) – all topics covered from week 6 up to an including week 8. |
| Time and Place| During the lecture period in the lecture room on the abovementioned dates. |

<table>
<thead>
<tr>
<th>Assessment 2:</th>
<th>Corporate Case Study Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length</td>
<td>Total Maximum 50 pages (includes 1]weekly submissions (which have a total maximum limit of 46 pages; and 2] Final submission which has a limit of a maximum of 4 pages excluding bibliography/reference list).</td>
</tr>
<tr>
<td>Type</td>
<td>Group Case study (min 5 persons and max 6 persons in group)</td>
</tr>
<tr>
<td>Weighting</td>
<td>Total 20%: Presentation 6%  Final Submission 8% case study weekly submissions 6%</td>
</tr>
</tbody>
</table>
| Due date      | Presentations in Weeks 12 (21st May 2007) and 13 (28th May 2007)  
Submission of Executive Summary: By 5pm Friday 11th May 2007 (week 10) – in assignment box outside room 40.305 (coordinator’s office)  
Weekly submissions during Weeks 3-8. |
| Style and format: | See style requirements – Word processed.  
Students must retain a duplicate report to produce if required. |
SECTION B: ASSESSMENT (CONT.)

EXAMINATION

<table>
<thead>
<tr>
<th>FINAL EXAMINATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighting</td>
</tr>
<tr>
<td>Date</td>
</tr>
<tr>
<td>Time allowed</td>
</tr>
<tr>
<td>Structure of paper</td>
</tr>
</tbody>
</table>

SUMMARY OF ASSESSMENTS

General Criteria

Subject Requirements & Method of Assessment:

1. Any student failing to meet ALL the following compulsory requirements will be deemed to have failed the subject.

2. The compulsory subject requirements are:
   a) attendance at and completion of the two multiple choice tests
   b) submission of, in an academically acceptable form and within the time and length limit specified:
      i) Corporate case study analysis weekly work as indicated on Schedule of lecture and workshop content/requirements
      ii) Final submission of final corporate case study analysis
   c) achievement of a minimum mark of 40% in the final examination and an overall mark in the subject of at least 50%. Marks maybe subjected to scaling.

3. The composite mark will be made up as follows:

There will be three assessments in total comprising 100 marks in this class. The amount of marks available in each assessment task is as follows:

Two (2) Multiple choice Exams 30%
Corporate Case Study analysis submissions & presentation 20%
Final examination 50%
Total 100%
SECTION B: ASSESSMENT (CONT.)

ASSESSMENT TASKS DETAILS

Multiple Choice Tests
Two tests will be held during the session which will deal with topics covered in prior weeks. These tests will contain 30 multiple choice questions and will each comprise 15% of the marks available in this subject (ie a total of 30% for both tests).

These tests will be held in weeks 6 and 9 during the lecture period in the lecture room. Non-programmable calculators only are allowed in the exam. No other materials are permitted. The examination is closed book. Test 1, held in week 6, will examine topics covered in weeks 1-5 inclusive and Test 2, held in week 9, will examine topics covered in weeks 6-8 inclusive.

No supplementary multiple choice tests will be held. It is up to the student to present him/herself at the times and dates indicated.

Corporate Case Study Analysis
Students will receive more information prior to the end of week one of the course regarding the corporate analysis assignment and need to have their groups, chosen Company and presentation date finalized by Week 2 (some time will be allocated in the first lecture for this activity)

Each group is to consider itself as a team of analysts submitting a business analysis report to a client, which they will then use as a basis for action or decision-making.

An integral part of the task involves each group defining the area of business analysis application (objective and scope) which is to be the focus of the report.

Completion Requirements
1. The Case study is to be undertaken by class members working in groups of five-six students. Class members may not change groups after week three of the semester.
2. It is intended that groups should choose the area of business analysis application for their case study from the areas covered by lectures up until the submission date.
3. Students are expected to work on the case study on a weekly basis (from weeks 3-9 inclusive) and will be assessed on the progressive work completed.
ASSESSMENT TASKS DETAILS (continued)

Corporate Case Study Analysis (cont)

Corporate Case Study marks and marking

The final group mark for each case study becomes the mark of each individual group member and will be allocated and calculated as follows:

-Weekly preparation/submission 6%: from weeks 3 to 8 inclusive (but not each week) students will have to submit a copy of selected end of chapter work labelled “My case” covered in lectures in some of the previous weeks. Marks will be given for the actual submission as evidence that the work has been completed and, as it is not marked for accuracy the work will not be returned to students. Students should ensure that they keep a copy to enable the finalization of the report. This weekly work together with further research in topics covered close to week 10 should form the basis of your final submission.

-Final submission 8%: The final submission comprises solely of a statement outlining the objective and scope of the report and the Executive Summary of Findings and Recommendations (together with bibliography/reference list). This final submission should be consistent with the research carried out in the weekly submissions.

-Presentation 6%: Groups will be allocated a time in which to make a brief presentation of their analysis during weeks 12 and 13. Not all members of the group need to physically present, however, there should be evidence that all members of the group have made a contribution to the presentation as well as being in attendance. Each group will have 20 minutes for the presentation and marks will be allocated on: Structure; content, effectiveness of communication (including answering questions from audience), and time management.

Evidence of plagiarism between group reports is viewed seriously and will result in loss of marks for all parties

Students not submitting any part of the analysis by the due dates will, in the absence of acceptably documented reasons, fail the subject.

Submission Requirements

Format for all submissions (including weekly submissions)

1. The analysis is to be typed using a computer word processing packages such as Microsoft WORD and EXCEL. Font Times Roman 12 or equivalent, no more than 1.5 line spacing.
2. Pages should be numbered.
3. At the front of the report there must be a title page showing your name, your tutorial class, the date the report is due and the topic as given.
4. All pages of the assignment must have a maximum of 15 mm margin on both the left and right sides and 30 mm top and bottom margins. 1 ½ line spacing is permissible, but any wider spacing will be penalized, as well as excessive margins to inflate the impression of the length of the work.

The School of Accounting and Finance cover sheet is available on the web, at the following: http://www.uow.edu.au/commerce/accy/resources/index.html.
Time and place for submission of assessment task

Weekly submissions from week 3 to 9 are to be made to the lecturer during the lecture period. Final Submissions will only be accepted in a submissions box placed outside the coordinator’s room (40.305) on the due date ie, prior to 5pm on 11th May 2007. No other form of submission will be accepted (Faxed, emailed or posted assignments will not be accepted.). Please Note:

1. After 5 p.m. on the submission due date, the coordinator will sign the receipt section of the cover sheet and make a list of all received assignments and their group members.

2. Signed receipt sections of the cover sheet will be returned to students in tutorials following submission date.

3. Marked assignments will be returned at tutorials within 21 days of the submission date.

4. Assignment cover sheet must be signed by ALL group members. A Faculty of Commerce assignment cover sheet must be attached to each piece of written assessment. This cover sheet can be obtained from the website:


Students are reminded that there is a prohibition in this subject regarding the use of any work (including tutorial assignments) produced by another student, past or present, in the generation of any assessment task, including tutorial material. Any student found violating this prohibition will be severely penalized and a submission and report will be handed to the Faculty Investigation Committee to be permanently bonded to the student’s records. This constitutes academic misconduct and students have been expelled from this University for academic misconduct. In addition, the students should be aware that Professional bodies take a very dim view of those who practice dishonesty and many persons have been refused admission to the professional bodies on the basis of dishonest conduct. Honesty and integrity should be the foremost hallmark character attribute of any professional. Academic misconduct, therefore, is viewed as a loathsome practice.

Other examples of academic misconduct include, but are not limited to:

- Students improperly gaining knowledge of an assessment task or examination and using that knowledge in the assessment task or examination;
- Students forging the name of another student on a class role or other document;
- Students having work prepared for them, for remuneration or otherwise, and submitting that work as their own.
ASSESSMENT TASKS DETAILS (continued)

PENALTIES FOR LATE SUBMISSION OF ASSESSMENT

Assessed work must be handed in by the date and time given. Assessed work handed in late can be penalised by the deduction (from the mark given to the assessed work) of 5 percentage points per 24 hours of the weekday or part thereof. The operation of this rule will not result in a negative mark being carried forward.

PLAGIARISM

Plagiarism means using the ideas of someone else without giving them proper credit. For example, that someone else may be an author, critic, journalist, artist, composer, lecturer, tutor or another student. Unintentional plagiarism can result if you don't understand and use the acceptable scholarly methods of acknowledgement. Whether plagiarism is deliberate or unintentional, the University may impose penalties, which can be very severe. When it is desirable, or necessary, to use other people's material, take care to include appropriate references and attribution. Plagiarism will not be tolerated and has led to expulsion from the University.

Students should visit the following University website and become familiar with the University’s policy on Plagiarism.


Supplementary Examinations

There will be no supplementary tests for the Multiple Choice Tests. In case of the final examination supplementary examinations are not automatically extended to students upon request for special consideration. In rare cases where a supplementary exam is awarded, however, the student(s) will be required to take the examination within the university prescribed period. No other provision is made for supplementary examination and if the student is not able to attend the supplementary examination, a “fail” grade is normally recorded in the absence of extraordinary circumstances or submission of proper medical documentation. Students will be notified prior to the examination, usually by email, and it is the student’s responsibility to ensure their proper addresses both email and postal, are correctly recorded on the University records.

Full details of the University’s policy regarding special consideration are available on the University’s website. Students should familiarise themselves with these policies at: http://www.uow.edu.au/handbook/courserules/specialconsideration.html.
C1 UNIVERSITY POLICIES

Information on the following University Policies can be found at the websites below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical objection by students to the use of animal and animal products in coursework subjects</td>
<td><a href="http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html">http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html</a></td>
</tr>
</tbody>
</table>

* see brief explanation of policy below.

C1.1 Non-discriminatory Language

The Faculty of Commerce supports the University’s policy on the use of non-discriminatory language. It is the responsibility of students to ensure that they understand and abide by this policy. The policy is available at:

http://staff.uow.edu.au/eeo/nondiscrimlanguage.html
C1.2 Special Consideration Policy

The Faculty of Commerce recognises that it has a responsibility to ensure equity and consistency across its subjects for all students. Sometimes, in exceptional circumstances, students need to apply for special consideration in order to complete all assessable work.

The University applies strict criteria to the granting of special consideration. Before applying for special consideration students should carefully read the University’s policy. The policy can be found at:


C1.3 Student Academic Grievance Policy

The Faculty of Commerce aims to provide a fair, equitable and productive learning environment for all its students. The Student Academic Grievance Policy seeks to support the achievement of this goal by providing a transparent and consistent process for resolving student academic grievances.

Any student who has a grievance over a result should obtain a Faculty of Commerce Appeal of Assessment Form from the Schools or the Sub-Dean’s Unit. The student should firstly take the form to the marker/lecturer to discuss the matter and, if the student is still not satisfied, s/he should take the next step as outlined on the form.

Once the grievance has been considered by the Faculty, if the student still feels the situation has not been fully resolved s/he may consult the Dean of Students. However, the Dean of Students can have no input into the academic judgement of the lecturer and can only review the grievance to ensure proper procedure has been followed.

For more information, please consult the policy in full at

SECTION C: RULES, CODES OF PRACTICE & POLICIES (CONT.)

C2 FACULTY AND SCHOOL POLICIES

REFERENCING

WHY DO YOU NEED TO REFERENCE?

At University it is necessary to acknowledge the sources of information and ideas that you have incorporated in your assignments. Failure to do this thoroughly may result in accusations of plagiarism: this is the academic equivalent of stealing (because by not acknowledging someone else's work, you are presenting it as your own). Plagiarism is taken very seriously by the University and may result in expulsion from the University.

Referencing is not only about acknowledging other people's work: accurate referencing and lists of references are beneficial when researching a topic as they allow the reader to follow up information and read further into the area. In a sense, references provide readers with clues to help them explore different avenues of a topic. This aspect of referencing will become more valuable to you as you progress in your studies.

There is a correct procedure that must be followed when referencing and using footnotes. Not complying with these set techniques and format will most likely result in loss of marks.

When writing an essay it is easiest to reference as you go, making sure you are writing down all relevant information. This will save hours trying to find the source again in the library.

THE HARVARD SYSTEM OF REFERENCING

The Faculty of Commerce uses the Harvard system of referencing. This system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text, which provides all the information necessary to find the source material. In-text references include the author and year of publication, and where necessary the page number(s).

It is the responsibility of students to ensure that they are familiar with the Harvard system of referencing and that they use it accurately in all written work submitted.

Students should consult the following University Library website for a detailed explanation and examples of the Harvard system of referencing.

CITATION OF ELECTRONIC SOURCES

It is necessary for students to reference all sources used in their written work, including file transfer protocol sites, worldwide web sites, telnet sites, synchronous communications (MOOs, MUDs, IRC, etc.) GOPHER sites and email, Listserv and Newsgroup citations.

*It is the responsibility of students to ensure that they are familiar with the accepted Faculty of Commerce practice for referencing electronic material and that they use it accurately in all written work submitted.*

Students should consult the following University Library website for a detailed explanation and examples of how to reference electronic material.


C3 SUPPORT SERVICES AND FACILITIES

LEARNING RESOURCE CENTRE

Learning Development offers a range of free services to all enrolled students who wish to improve their academic or English language skills. There are a range of workshops available including; essay writing and editing; reading for assignments; grammar; presentation skills; pronunciation and exam preparation.

For information on language and academic skills workshops, or to make appointments for consultations, please visit the Learning Resource Centre (LRC), Building 19, Ground Floor, Room G102, or Phone 02 4221 3977. For further information visit the website:

SECTION C: RULES, CODES OF PRACTICE & POLICIES (CONT.)

FACULTY LIBRARIANS

Each faculty has a Faculty Librarian who is available to help with research related enquiries. Research Help Desk staffs are also available in the Library to assist with research needs.

The Faculty Librarians for Commerce can be contacted as follows:

email: lib_commerce@uow.edu.au

telephone: 4221 3078

DISABILITY LIAISON OFFICER

The Disability Liaison Officer (DLO) can provide advice on how particular disabilities affect university study and information on resources available at the University for assisting students with disabilities. Students commencing courses are advised to contact the Disability Liaison Officer prior to the beginning of their first session of study.

For further information on services offered, consult the Disability Services website or contact the office.

web address: http://www.uow.edu.au/student/services/ds/

telephone: 4221 3445

fax: 4221 5667
FACULTY DISABILITY ADVISERS

Faculty Disability Advisers are academic staff who provide assistance and support to students with disabilities within their Faculty and act as an intermediary between the student and the Faculty's academic and general staff. They provide support, educational advice and referral to appropriate staff on issues related to teaching and learning within the Faculty and the University. Students are advised to communicate specific information about the ways in which their disability affects learning to the Faculty Disability Adviser as soon as possible after enrolment.

The Faculty of Commerce Disability Adviser is Mr. Ron Perrin. Mr Perrin can be contacted as follows:

- Office location: Building 40, room 224
- email address: ron_perrin@uow.edu.au
- telephone: 4221 4118

WOOLYUNGAH INDIGENOUS CENTRE

The Woolyungah Indigenous Centre (WIC) provides academic and personal support for Aboriginal & Torres Strait Islander and other indigenous students. The Centre also runs an Indigenous Specific Orientation Program for students who gain entry to the University through the alternative admissions program.

For further information on services offered, consult the Aboriginal Education Centre website or contact the office.

- Centre location: Building 30
- web address: http://www.uow.edu.au/aec/
- telephone: 4221 3776
- fax: 4221 4244
# Schedule of Lecture and Workshop content

<table>
<thead>
<tr>
<th>WEEK</th>
<th>TEXT CHAPTER</th>
<th>QUESTION/PROBLEMS (Reviewed in lectures and workshop)</th>
<th>Case Analysis Submission work due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-26 Feb</td>
<td>Ch 1 and 2</td>
<td>Ch 1. Q 3, 6, 7, 11, 13 Ch 2 Q 1, 2, 4</td>
<td></td>
</tr>
<tr>
<td>3-12 Mar</td>
<td>Ch 5 and 6</td>
<td>Ch 5 Q 1, 8, 10 P 1, 3 Ch 6 Q 1, 2, 7, 8, 9, 10 P 1, 6</td>
<td>“My Case” work indicated at the End of Chapters 1, 2</td>
</tr>
<tr>
<td>4-19 Mar</td>
<td>Ch 7</td>
<td>Ch Q 7 2,3,4,9,15 P. 2,4</td>
<td></td>
</tr>
<tr>
<td>5-26 Mar</td>
<td>Ch 8</td>
<td>Ch 8 Q 1,6,7 P 1,2,7,8</td>
<td>“My Case” work indicated at the End of Chapter 3</td>
</tr>
<tr>
<td>6-2 Apr</td>
<td>Ch 9</td>
<td>Ch 9 Q 1,6,7 P 1,2,3 Ch 10 1,5,9 P 1,5,8</td>
<td><strong>Multiple Choice Test 1</strong></td>
</tr>
<tr>
<td>7-16 Apr</td>
<td>Ch 10 and 11</td>
<td></td>
<td>“My Case” work indicated at the End of Chapter 4</td>
</tr>
<tr>
<td>8-23 Apr</td>
<td>Ch 12 and 16</td>
<td>TBA</td>
<td>“My Case” work indicated at the End of Chapter 5</td>
</tr>
<tr>
<td>9-30 Apr</td>
<td>Ch 17</td>
<td>TBA</td>
<td><strong>Multiple Choice Test 2</strong></td>
</tr>
<tr>
<td>10-7 May</td>
<td>No classes – Reading Week plus finalisation of Corporate Case Study Submission</td>
<td>TBA</td>
<td><strong>CASE STUDY FINAL SUBMISSION by FRIDAY 5PM in box outside subject coordinators office.</strong></td>
</tr>
<tr>
<td>11-14 May</td>
<td>Ch 18</td>
<td>TBA</td>
<td>TBA</td>
</tr>
<tr>
<td>12-21 May</td>
<td>Presentation</td>
<td>TBA</td>
<td>TBA</td>
</tr>
<tr>
<td>13-28 May</td>
<td>Presentation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above schedule is subject to change.