FIN 924 Corporate Financial Information Analysis

Autumn 2006 Wollongong Campus

6 Credit Points

Prerequisites: None
Exclusions: None

Subject Coordinator
Michael McCrae School of Accounting & Finance
Room: 40.323 Ph: 4221 4015 email: mccrae@uow.edu.au
**Subject Details**

**Description**

The primary goal of this subject is to learn how to create managers’ “inside information” from analysing publicly available financial statement data. The subject is designed to equip the students with the skills of effective financial statement analysis to meet the challenge of the competitive business world. The subject is aimed at students with broad business career interests as well as those specialising in the accounting and finance field. While not a prerequisite, students should have completed basic courses in financial accounting, finance, and either business strategy or business economics in order to extract the most benefit from this class. The subject will commence with the introduction of the framework for financial statement analysis involving discussions on the roles of accounting information and intermediaries in the economy, and how financial analysis can create value in well-functioning markets. Afterwards, the subject topics will mainly cover the areas of how those business analyses and valuation frameworks can be applied to a variety of analyses and decisions contexts. Cases and problems will be introduced gradually, and will provoke analytical and creative thinking of the subject participants.

**Objectives**

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.

**Method of Delivery**

This subject is delivered in a combination of lecture, tutorial, and additional print material, coupled together with a hard copy textbook. In addition, some cd material, included in the textbook, may be incorporated into the course which may assist student learning, subject to copyright issues.

**Web Site**

A site is currently under construction for this subject where students may access the subject outlines, lecture material, limited tutorial solutions, and assignment material. Lecture and tutorial solutions will not automatically be posted to this site, and students should be aware that although solutions to tutorial material are discussed in class and, at times, in lectures, there is no automatic mechanism where students can enjoy unfettered access to the class solution material. It is the students’ responsibility, therefore, to ensure that material is attempted each week and questions answered in the relevant weeks where the material is given.
**Study Time**

This is a rigorous and substantive class, and as the class progresses, concepts covered in earlier material are assumed knowledge for later more difficult and complex decisions. Students should be aware that the University of Wollongong considers that for every credit point assigned to a subject, a minimum of 2 hours each week should be set aside by the student for careful study. As FIN 924 is a 6 credit point subject, students should devote at least 12 hours each week to this subject, including class times.

**Performance level**

To be eligible to pass this subject, students must achieve an overall mark of at least 45%, and at least 40% on the final examination.

**Lectures and Tutorials**

Seminar: Wednesday 1:30pm-3:30pm Building 52

**Assigned Textbook**


**Recommended Texts**

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


**Subject Coordinator**

Michael McCrae School of Accounting and Finance
Office: 40.323
Telephone: 4221-4015
Email: mccrae@uow.edu.au
Consultation Times

TBA

Student Administration
Telephone:  612 4221 3938
Fax:     612 4221 4322
Email:    student@uow.edu.au
Student Online Services:  http://www.uow.edu.au/student/sols

Library
Telephone:  612 4221 3548
WWW:   http://www-library.uow.edu.au

Unishop Bookstore
Telephone:  612 4221 8050
Fax:     612 4221 8055
Email:    unishop@uow.edu.au

Students are free to purchase books anywhere they wish, but the proper texts have been ordered by the Unishop to accommodate the numbers in this class, given past experience with student numbers. If additional texts are needed, they will be promptly ordered from the publisher.

Attendance Requirements
In order to maximise learning outcomes, it is strongly recommended that students attend all seminars.

Assessment Guidelines

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:

- Mid-term examination  20%
- Company analysis      20%
- Final examination     60%

PERFORMANCE LEVEL
To be eligible to pass this subject, students must achieve an overall mark of at least 45%, and at least 40% on the final examination.

Seminar participation may be taken into account in determination of final marks; especially borderline fail/pass.
SCALING
Marks in this subject may be scaled. Any scaling will be statistically consistently applied across all students.

<table>
<thead>
<tr>
<th>Assessment 1:</th>
<th>Corporate Analysis</th>
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</thead>
<tbody>
<tr>
<td>Length</td>
<td>Maximum 50 pages (excluding appendices)</td>
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<tr>
<td>Type</td>
<td>Case study</td>
</tr>
<tr>
<td>Marking criteria</td>
<td>As per marking sheet</td>
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<tr>
<td><strong>Weighting:</strong></td>
<td>20%</td>
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<tr>
<td><strong>Due date</strong></td>
<td>Friday 28th April 2006 (week 9)</td>
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<tr>
<td><strong>Style and format:</strong></td>
<td>See style requirements – Word processed. Students must retain a duplicate report to produce if required.</td>
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</table>

### Mid-session test

| **Weighting** | 20% |
| **Date** | Wednesday, 5th April 1:30 – 2:30 (Week seven) (during lecture time) |
| **One hour exam consisting of True/False/Multiple choice/Calculation questions** | |
| **Non-attendance at the exam due to work or other commitments is NOT grounds for special consideration.** | |

### Final Examination

| **Weighting** | 60% |
| **Date** | During final examination period. The final examination date will be confirmed during the course of the subject and published on SOLS 3 to 4 weeks before the examination period. |
| **Time allowed** | 3hrs |
| **Structure of paper** | Combination Long answer/ short answer/ calculations |

Students will receive more information prior to the end of week two of the course regarding the corporate analysis assignment. Students should be aware of the following guidelines.

**Students are prohibited from making use of any written work produced by any student at the University of Wollongong, past or present, in any assignment in this subject, including assigned weekly text problems.**

**Major assignment submissions:**

1. Submissions will only be accepted in a submissions box placed outside the coordinator’s room (40.323) on the due date. No other form of submission will be accepted.

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

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

5. Cover sheet must be signed by ALL group members.

Assessment tasks which are relevant to the final examination for the subject will be marked and available for collection prior to the study week before the final examination.

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:

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.

Special Consideration
Requests for special consideration in assessment tasks must be submitted in the manner approved by the university through the SOLS system online at

Supplementary examinations
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:

Disability Policy
Any student who suffers with a disability requiring reasonable accommodation in this subject are strongly advised to discuss the matter with the tutor and/or subject coordinator at the earliest possible convenience. In addition, the student should contact the Faculty Disability Advisor or the Disability Liaison Officer, and register with the University of Wollongong’s Disabilities Unit. More details can be found on the web at
Non Discriminatory Language
The University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities. The policy is available at http://www.uow.edu.au/eeo/nondiscrimlanguage.html.

Receipt of Assessment Tasks
It is the student’s responsibility to ensure that a signed receipt, or other acknowledgment, is issued in regard to the submission of any assessment task.

Midterm Examination
The mid-term examination is a one hour examination which contains multiple choice, “short-answer” and calculation questions, comprising 20% of the marks available in this subject.

The midterm exam will be given in week 7, subject to the availability of a suitable venue. The class may be divided for convenience and more information will be given in the weeks prior to the exam. Non-programmable calculators only are allowed in the exam. No other materials are permitted. The examination is closed book and will cover the material presented in the first seven chapters of the text, plus any additional material which is handed out during the term in the first seven weeks.

Final Examination
The final examination is worth 60% of the marks available in this subject. All aspects of the topics in this subject are examinable, but an emphasis may be placed upon the second section of the class material. The exam will last 3 hours and 15 minutes and is “closed book”. More information will be given to students in lectures. The University of Wollongong schedules the examination during the examination period at the end of the semester.

Submission Requirements
All assignments are to be placed in the box provided for this purpose, which will be displayed outside the office area of the School of Accounting and Finance in building 40, 3rd floor. No other place of submission is acceptable.

Faxed, emailed or posted assignments will not be accepted.

All assignments must have a School of Accounting and Finance cover sheet providing the course number, code, the name and student number of the student, the due date of the submission, the course coordinator and, if applicable, the tutor and tutorial time of the student submitting the assessment task.

Format of Submissions
All pages of the assignment must be numbered with 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.
More information will be provided to students as the submission date draws nearer.

**Acknowledgment/Plagiarism**

Plagiarism is not acceptable and will certainly result in the imposition of severe penalties. The University of Wollongong provides clear guidelines regarding the practice of plagiarism and how it can be avoided. Students are directed to the University of Wollongong handbook, located on the web at: [http://www.uow.edu.au/handbook/courserules/plagiarism.html](http://www.uow.edu.au/handbook/courserules/plagiarism.html)

**Students are reminded that there is a prohibition in this subject regarding the use of any work 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.

**Extensions**

Extensions are almost never granted, except in very unique circumstances. If, however, a student encounters circumstances beyond the student’s control which interferes with the ability to complete an assessment task and submit in a timely manner, the student should submit a request through SOLS prior to the assessment task’s due date. No extension will be granted on or after the due date of an assignment. Please be aware that assigned work in other classes, employment related issues (other than a medically documented injury), and computer failure of any kind (including lost or corrupted disks, hard drive failure, USB drive failure or other hardware or software fault or failure) are not considered to be circumstances “beyond the student’s control”.


## Readings and Questions

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<tr>
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<th>TEXT CHAPTER</th>
<th>QUESTION/PROBLEMS (Reviewed in following lecture)</th>
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<td>Ch 1 and 2</td>
<td>Ch 1. Q 3, 6, 7, 11, 13 Ch 2 Q 1, 2, 4</td>
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<td>3</td>
<td>Ch 5 and 6</td>
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<td>Ch 9 and 10</td>
<td>Ch 9 Q 1,6,7 P 1,2,3 Ch 10 1,5,9 P 1,5,8</td>
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<tr>
<td>7</td>
<td>Mid Term</td>
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<td>8</td>
<td>Ch 11 and 12</td>
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<td>Ch 16</td>
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<tr>
<td>10</td>
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<tr>
<td>13</td>
<td>Review</td>
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<td></td>
<td>Final Exam</td>
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## Corporate Analysis Assignment

**Completion Requirements**

1. The Case study is to be undertaken by class members working in groups of three/four except under special circumstances determined by the subject coordinator. Class members may not change groups after week four of the semester.

2. It is intended that groups should choose the area of business analysis application for each case study from the areas covered by lectures up until the submission date of each study. The final group mark for each case study becomes the mark of each individual group member.

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

Assessment of case studies will be based on a report submitted by each group. 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 report involves each group defining the area of business analysis application, which is to be the focus of the report. The group is to carefully and fully define the business analysis application area they are targeting in each case study and the particular problem areas they will address in their report to the client. Reports will address at least the following areas in their structure

1. The area of analysis and the specific issues under investigation - assume the client who employs your group as analysts has a specific purpose or action in mind that motivates them to seek a business analysis report.
2. The scope of the investigation and any limitations
3. The aim of the investigation and the purposes to be achieved
4. The method of analysis and details of analysis
5. The results of analysis
6. Interpretation of results
7. Recommendations to client.

Suggestions

1. Include a two page executive summary with the report that summarizes the purpose and scope of the investigation, limitations, method, results, interpretation and recommendations to the client.
2. Most of the actual analysis should be included in well-structured appendices supporting the document with only the main calculations or results in the report. Make sure you make appropriate reference to the appendices in the report.
3. Structure and plan the report carefully making use of headings and sub-headings so that the client can easily follow your report and any subsequent committee discussions with the client are facilitated.
4. Include within the report evidence of wider reading about the issues and problems, which may arise in the chosen area of business analysis.

Mandatory case study presentation standards are as follows:

1. The case study is to be typed using a computer word processing package such as Microsoft WORD. 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 essay is due and the topic as given.
4. An executive summary of not more than two pages to preface the case study.
5. All assignments should include a list of references in good academic format at the report end (before appendices). Only references cited in the text are to be included. All sourced material, including direct quotations, should be appropriately acknowledged. The use of an on-line citation manager (Endnote) is strongly preferred.
6. Extensive financial data should be included in appendices.

Submissions will be penalized for failure to meet any of these requirements. Students not submitting the case study by the due dates will, in the absence of acceptably documented reasons, fail the subject.