Subject Outline

FIN 924
Corporate Financial Information Analysis
Autumn 2004
Wollongong Campus
University of Wollongong

6 Credit Points

Dr. Scott Dobbs
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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 CT

A site is currently under construction where students may access the subject outlines, lecture material, limited tutorial solutions, and assignment material. Lecture and
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. Some students may require more time to grasp the material in any given week.
Students are warned that this class is not one where an apathetic or lethargic attitude
can be entertained in the first weeks and then devotion and “cramming” manifest in
the later part of the course. The material is difficult and should be carefully studied
from the first week of class to the final examination, and hopefully, carried into
professional life.

Lectures and Tutorials

Seminar Tuesday 12:30pm-2:30pm 25.128

Assigned Textbook

Soffer and Soffer 2003, Financial Statement Analysis, A Valuation Approach Prentice
Hall

Recommended Texts

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

Palepu, Healy, and Bernard 2004, Business Analysis and Valuation Using Financial
Statements, 3rd edition, Thomson/South Western

Wild, Bernstein, and Subramanyam 2001, Financial Statements Analysis 7th edition,
McGraw-Hill Irwin

Robinson, Munter and Grant 2004, Financial Statement Analysis: A Global
Perspective Pearson Prentice Hall

**Subject Coordinator**

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School of Accounting and Finance  
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**Consultation Times**

Tuesday 2:30pm-4:30pm  
Wednesday 3:30pm-5:30pm

**Student Administration**

Telephone: 612 4221 3938  
Fax: 612 4221 4322  
Email: studenq@uow.edu.au  

**Library**

Telephone: 612 4221 3548  
WWW: [http://www-library.uow.edu.au](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.
Assessment Guidelines

General Criteria

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

- Midterm examination: 20%
- Company analysis: 20%
- Class participation: 10%
- Final examination: 50%

Students will receive more information prior to the end of week two of the course regarding the assessment analysis. Students should be aware of the following very important 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.

Students must achieve a satisfactory result (at least 45%) in every assessment task and, must achieve a clear “pass” in the final examination in order to pass this subject. This assessment criterion will be rigidly enforced.

Although the emphasis in any assessment in this subject lies upon the substantive issues, a manifestly inadequate form or format may also result in loss of marks in any assessment. Students should, therefore, think carefully about the presentation of any assessment task. Marks may be scaled in any assessment in this subject at the subject coordinator’s discretion.

Students should be made clearly aware that all classes in this subject are compulsory. Examinable material is presented during class times, which may not be given in any other format, or at any other time. The policy of the University of Wollongong requires that no marks may be awarded for attendance nor is attendance to be used for the calculation of any assessment.

Where a student’s marks fall at the border between gradients, the manifest effort and participation in the classes throughout the duration of the subject may be taken into account in the scaling or modification of any student’s marks.
Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>High Distinction</td>
<td>85% or higher</td>
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<tr>
<td>Distinction</td>
<td>75%-84%</td>
</tr>
<tr>
<td>Credit</td>
<td>65%-74%</td>
</tr>
<tr>
<td>Pass</td>
<td>50%-64%</td>
</tr>
<tr>
<td>Fail</td>
<td>0-49%</td>
</tr>
</tbody>
</table>

At present information it is understood that pass conceded is not available in this subject.

Special Consideration

Students who, through serious illness or circumstances beyond their control are unable to attend a tutorial, examination, or submit an assessment task in a timely manner are required to submit proper medical documentation, as soon as the problem becomes known, to the University of Wollongong Administration. The hard copy of any supporting documentation must be presented to Administration using the proper form, but students can submit the initial application through the SOLS system online at [http://www.uow.edu.au/student/](http://www.uow.edu.au/student/).

Students should be made clearly aware that they have an obligation to communicate to the subject coordinator or their tutor as soon as a problem is foreseeable. Students who submit requests for special consideration at, or after, the due date for an assessment or examination are normally scrutinized very carefully to ascertain the legitimate underlying validity of their request. Special consideration is not automatically extended to the student except in very exceptional cases.

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 on a date usually set within three (3) weeks of the end of the examination period, or within three weeks of the date of the midterm examination. 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.
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 http://www.uow.edu.au/student/services/disabl.html.

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 midterm examination is a 2 hour examination which contains multiple choice and “short-answer” questions, some of which are purely mathematically based, comprising 20% of the marks available in this subject.

Students should be aware that a dismal failure in the midterm examination will normally preclude further participation in this subject, for the student will be deemed to have failed to achieve a satisfactory result on an assessment task and will, therefore, fail this subject. In addition, due to the class participation component in this subject, manifestly inadequate preparation in the weekly questions may lead to a failure in this subject.

The midterm exam will be given in week 8, 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. The examination is closed book and will cover the material presented in the first eight chapters of the text, plus any additional material which is handed out during the term in the first eight weeks.
Final Examination

The final examination is worth 50% 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”. The final examination is a discriminatory examination in that it discriminates quite heavily against those students who are not thoroughly familiar with the material of the subject, and discriminates quite heavily in favour of those students who are thoroughly familiar with all aspects of the subject topics. It will be heavily weighted toward mathematical aspects of the subject, at the discretion of the subject coordinator. More information will be given to students as time progresses toward this examination, so that students are clearly aware of the expectations placed upon them. 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. If instructed during the class to submit directly to your course coordinator, then this is to be done. Otherwise, no other place of submission is acceptable.

Students should be clearly aware that under no circumstances is an assignment to be faxed to the School to avoid late penalties. Faxed assignments will not be accepted. If an assignment is to be posted to the School of Accounting and Finance, it must be postmarked clearly and the date of the postmark will be deemed to be the date of submission.

No assignment will be accepted if emailed to any tutor, lecturer, course coordinator, or the School of Accounting and Finance.

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 or 2 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.
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

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 make the matter known to the subject coordinator as soon as it arises and seek an extension **prior** to the assessment task’s due date. No extension will be granted on or after the due date of an assignment without proper submission of acceptable medical documentation. Please be clearly 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”.

**Late Penalties**

A penalty will be applied to any assignment not submitted on or prior to the due date of 10% for every day, or part thereof, that the assignment is late. This also includes
Any assignment submitted 7 days late or more will be penalised so heavily that the student will be deemed, in the absence of acceptable medical documentation or permission from the course coordinator, to have failed the subject.

Final Words of Grave Importance

Each term, students are warned regarding the difficulty of class material, the need for continual and persistent effort, and the assumed accumulation of knowledge throughout the subject progression. Each term, students continually forsake these wise words, and depend on friends for help on assessment tasks, attempt to cram for exams, and plead with the subject coordinator for extended submission dates and leniency in the award of supplementary assessment tasks, such as supplementary exams. Students should be clearly forewarned that they forsake wisdom at their own peril. The current subject coordinator is notoriously intransigent with regard to students who do not make sincere effort throughout the entire course. This subject builds each week upon material presented in previous sections and students should accept the University guidelines as a minimum dedication to the learning requirement in this subject. Steady and focused dedication is needed to do well in this subject. Good luck.

Readings and Questions

<table>
<thead>
<tr>
<th>Week</th>
<th>Week beginning</th>
<th>Text chapter readings</th>
<th>Questions/problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23/02/2004</td>
<td>Ch. 1, 2</td>
<td>In class discussion</td>
</tr>
<tr>
<td>2</td>
<td>01/03/2004</td>
<td>Ch. 3, 4</td>
<td>2Q: 2, 9, 10/ 2P1, 4</td>
</tr>
<tr>
<td>3</td>
<td>08/03/2004</td>
<td>Ch. 5</td>
<td>3Q: 2, 3, 4/ 4Q1, 2 P</td>
</tr>
<tr>
<td>4</td>
<td>15/03/2004</td>
<td>Ch. 6</td>
<td>5P: 1, 2, 7</td>
</tr>
<tr>
<td>5</td>
<td>22/03/2004</td>
<td>Ch. 7</td>
<td>6Q 3, 4 P 3, 6</td>
</tr>
<tr>
<td>6</td>
<td>29/03/2004</td>
<td>Ch. 8</td>
<td>7Q: 6, 7 P 4, 5</td>
</tr>
<tr>
<td>7</td>
<td>05/04/2004</td>
<td>Ch. 9, 10</td>
<td>8Q: 6 P: 1, 2, 4, 8</td>
</tr>
<tr>
<td></td>
<td>Easter Break</td>
<td>Study hard 😊</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>19/04/2004</td>
<td>Ch. 11</td>
<td>9Q: 2, P5/ 10Q8, 9, 10</td>
</tr>
<tr>
<td>9</td>
<td>26/04/2004</td>
<td>Ch. 12</td>
<td>11Q: 4, 7 P 3, 5, 6</td>
</tr>
<tr>
<td>10</td>
<td>03/05/2004</td>
<td>Ch. 16</td>
<td>12Q: 2, 3, 5, 6 P 1</td>
</tr>
<tr>
<td>11</td>
<td>10/05/2004</td>
<td>Ch 17</td>
<td>16Q: 4, 9 P 2, 4, 6</td>
</tr>
<tr>
<td>12</td>
<td>17/05/2004</td>
<td>Ch 18</td>
<td>17Q: 1, 2, 3, 4 P 1, 2</td>
</tr>
</tbody>
</table>

Review and final
Q = Review questions  P = Problems