

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ACCG832

Business and Financial Analysis

2011
Semester 1

MACQUARIE UNIVERSITY
Faculty of Business and Economics
ACCG832 Business and Financial Analysis
Unit Outline

Year and Semester: 2011, Semester 1
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Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the lecturer.

ABOUT THIS UNIT

This unit teaches students how to analyse and value a business. Students are taught the steps in business analysis: examining the state of the economy, the industry and the business on a descriptive level, analysing the business's accounting policies, evaluating its financial position using accounting ratios and other analytical tools, forecasting the business's financial statements and finally using a variety of techniques to value the business on the basis of the preceding steps so that an investment decision can be made.

CONSULTATION TIMES

Location: E4A Level 2
Time: Mondays 11:30 - 12:30

You are encouraged to seek help at a time that is convenient to you from the staff member teaching on this unit during his regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by e-mail. You may, however, phone staff during their consultation hours.

CLASSES

Location: E4B 316
Lecture Time: Mondays 14 - 17

The classes are three hours face-to-face teaching per week. The timetable for the classes can be found on the University website at <http://www.timetables.mq.edu.au/>

REQUIRED AND RECOMMENDED TEXTS

Palepu, Healy, Bernard, Wright, Bradbury and Lee, Business Analysis and Valuation, 1st Asia-Pacific edition, Cengage Learning, 2010.

The following text is also recommended to students who wish to undertake additional reading on valuation methodology:

Titman, Martin, Valuation: the art and science of corporation on investment decisions, Pearson Addison Wesley, 2008.

Both texts are available for purchase at the Co-Op Bookshop on campus and are also held on Main Collection at Macquarie University Library.

LEARNING OUTCOMES

After successfully completing this unit, you will:

1. Have a good understanding of the theories and practice of financial statement analysis
2. Be familiar with Industry and business strategy analysis
3. Be able to analyse and prepare a report on a firm's financial position and estimate its fundamental value from its annual report
4. Develop an appreciation of the flow of financial accounting and other information to the equity market
5. Have a solid understanding of the techniques in cash flow analysis and forecasting
6. Be able to implement various financial valuation techniques
7. Learn to develop financial models to analyse and value a firm's financials
8. Critically evaluate financial analysis and valuation techniques and use information to make appropriate decisions
9. Be able to analyse a company's risk and its implications on its valuation

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world. This unit contributes to this by developing the following graduate capabilities:

1. Critical analysis skills in information management and analysis
2. Problem solving skills in sourcing and identifying relevant information and interpreting output in a multi-disciplinary environment

3. Capable of applying their knowledge in unfamiliar situation in a professional manner
4. Communication and negotiation skills through syndicate work and the presentation of progress reports
5. Teamwork skills in demonstrating an ability to collaborate with and learn from others through syndicate work
6. Commitment to continuous learning by reflecting on the application of the material covered in lectures and Case Studies
7. Capable of creating new knowledge and understanding through the process of research and inquiry
8. Capable of working independently and sustainably, in a way that is informed by openness, curiosity, and a desire to meet a new challenges
9. Capable of writing reports to a professional standards

ASSUMED KNOWLEDGE

Teaching is based on the assumption that students have successfully completed the equivalent of one year's study in financial accounting. In addition, they are assumed to have an understanding of the basic concepts of finance, including future and present value, the risk-return relationship, and cost of capital.

A useful reference for those who wish to refresh their knowledge of financial accounting and financial statements is Parker R.H., *Understanding Company Financial Statements*, 6th edition, Penguin Books, 2007. Copies are available for purchase at the Co-op Bookshop on campus.

TEACHING AND LEARNING STRATEGY

The unit uses a Blackboard web page that can be accessed via <https://learn.mq.edu.au>. The material in this unit is presented and discussed in the weekly seminars. Seminar sessions will generally be divided into three parts.

1. The first part of the session will involve a consideration of the material from the readings set for that week's class. The lecture slides for each weeks lecture will be posted on Blackboard, before the lecture. You will find it useful to download the slides prior to the lecture, and bring them to the lecture. It is also helpful to bring your textbook to the lecture. The Blackboard is also used to post important notices from time to time. **You should check the Blackboard regularly.**
2. The second part of the session will involve students working in small groups to discuss answers to weekly discussion questions. Weekly questions are related to the previous week's seminar. Questions will be placed on Blackboard, so that students may attempt to answer them before the next class.

3. During the third part of the session, students will participate in working on Microsoft Excel to complete exercises related to the Case Studies. A laptop, together with the textbook, may be brought to class each week. Students are also required to work on their Case Studies weekly to be confident of completing the Case Studies before the due dates.

This unit relies heavily on assignment-based learning. Therefore, students are expected to work on the Case Studies and Syndicate project on a regular basis. The syndicate project for this unit requires students to also apply the theories and techniques to a currently listed Australian company. Students will form syndicates in the first week of semester, and will work on the syndicate project throughout the semester in those syndicates, facilitating their learning in a practical way.

- Students need to be available at mutually convenient times to be effective syndicate members.
- The syndicate project requires the use of initiative and problem-solving skills to find information and work out solutions to problems that might be encountered. There is no one unique and correct solution to this task for a given company. Many approaches are valid and a variety of answers may be equally correct.
- Students may approach the lecturer for assistance with approaches to take with this project, but not for answers to questions.

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

The learning outcomes of this unit are primarily assessed by the closed-book final examination, which will be scheduled during the normal university examination period. The final examination will include:

1. Questions on the process of financial statement analysis as demonstrated by the student's understanding of the various stages and processes undertaken for their syndicate project and Case Studies;
2. Questions on the discussion questions discussed in class;
3. All the material covered in the lecture seminars and the textbook

Additional assessment tasks are designed to ensure that the learning process occurs over the whole semester. The various components of the assessment are as follows:

3 Case Studies (Divided Equally)	30%
Syndicate Project	30%
Final Examination	<u>40%</u>
	100%

In order to pass this unit, a student must pass both the final examination and the unit overall.

Case Studies:

Three case studies must be completed individually or in a group of 2, 3, 4 or 5 students. Time will be allocated to work on these case studies in lectures. They are designed for students to apply financial models and methods to more complex problems than they have dealt with to date. The purpose of this task is to enable students to improve their ability to build up financial models using Microsoft Excel to gain familiarity with financial models used in financial firms. The details of each Case Study will be instructed in the class.

Students must submit their assignments as following:

1. First Case Study: Thursday 17th March by 5pm
2. Second Case Study: Thursday 14th April by 5pm
3. Third Case Study: Thursday 12th May by 5pm

Late submissions will have 10% of the mark deducted per day.

All answers must be lodged both in hardcopy form and electronically. The details are as follows:

- Hardcopy submission must include a report of no more than 3 single-spaced A4 pages. Students must attach the “Marking Sheet” and Macquarie University cover sheet, both provided on Blackboard, to their report. Students must also provide the tasks contributed by each individual member of their group. The tasks should be divided equally (numeric percentage) between the group members. Students who contribute less than other group members will be penalised by losing a percentage of their mark.
- Students must submit the hardcopy inside the allocated box in room 106, building E4B (BESS).
- Electronic submission must include a single Microsoft Word or PDF file of your report and your Excel file. Students must submit the electronic files to vahid.kolahdouzan@mq.edu.au. Students are advised to use their Macquarie University email. Only one group member may send the files but should copy email addresses of their group members.
- Students must provide their names and students IDs both in their printed reports as well as their emails.

Syndicate Project

In syndicates of 4 or 5 students, evaluate and report on the most recent annual report of an Australian Securities Exchange-listed company as if you were security analysts making a recommendation on whether or not your clients should invest in it. However, the company should not be selected from:

1. ASX-50
2. Financial service sector (Banks, Insurance companies, etc)

3. Small biotech firms

The report is to be submitted on Monday 30th May by 10 am. It is to be approximately 10-15 A4 pages in text and to include sections such as: 1. Business and Strategic Analysis, 2. Accounting Analysis, 3. Financial Analysis, 4. Prospective Analysis and 5. Recommendation for the clients.

All assumptions should be clearly stated and supported if possible. All references should be provided. Commercial data services may be used to source annual report and other information, but students should also consult the company's annual report for complete and more accurate information. Note that plagiarism from commercial analysts' reports can be easily identified and will result in zero marks for this project.

The report should be word-processed and professionally presented, and secured with plastic spiral binding. More details will be provided in the class.

Late submissions will have 10% of the mark deducted per day.

All answers must be lodged both in hardcopy form and electronically. The details are as follows:

- Students must attach the "Marking Sheet" and Macquarie University cover sheet, both provided on Blackboard, to their printed report. Students must also provide the tasks contributed by each syndicate member. The tasks should be divided equally (numeric percentage) between the syndicate members. Students who contribute less than other syndicate members will be penalised by losing a percentage of their mark.
- Students must submit the hardcopy inside the allocated box in room 106, building E4B (BESS).
- Electronic submission must include a single Microsoft Word or PDF file of your report and your Excel file. Students must submit the electronic files to vahid.kolahdouzan@mq.edu.au. Students are advised to use their Macquarie University email. Only one syndicate member may send the files but should copy all syndicate email addresses.
- Students must provide their names and students IDs both in their printed reports as well as their emails.

Assessment and marking of this project will be:

- 5% for a short presentation (10 Minutes) on Business and Strategic Analysis of the project in class on week 7. All syndicate members are required to present.
- 5% for a short presentation (10 Minutes) on sections Accounting Analysis and Financial Analysis of the project in class on week 12. All syndicate members are required to present.

- 20% for the final report, to be submitted on 30th May by 10 am, on the basis of its accuracy, comprehensiveness, cohesiveness, and overall quality.

Summary of the Assessment tasks

	Three Different Case Studies	Syndicate Project- Two Presentations	Syndicate Project-Final Report
Description	Answers to each Case Study should not be longer than 3 single- spaces A4 pages	Each presentation should not be longer than 10 minutes. Otherwise, it will be penalised.	Report should not be longer than 10-15 A4 pages.
Due date	<ul style="list-style-type: none"> • First Case Study: 17th March by 5pm • Second Case Study: 14th April by 5pm • Third Case Study: 12th May by 5pm 	<ul style="list-style-type: none"> • First one in week 7 • Second one in week 12 	May 30 th by 10am
% Weighting	30%(divided equally)	10% (divided equally)	20%
Grading method	<ul style="list-style-type: none"> • It is expected that students will be aware of the appropriate standard for assignment writing at university (including how to reference the work of other authors) • Case Studies will be marked out of 30 	<ul style="list-style-type: none"> • All syndicate members are required to present • Microsoft PowerPoint or other methods may be used for presentation 	<ul style="list-style-type: none"> • It is expected that students will be aware of the appropriate standard for assignment writing at university (including how to reference the work of other authors) • Final report of the syndicate project will be marked out of 100
Submission method	Submitted in BESS	Presented during the lecture	Submitted in BESS
Feedback	The results will be available within two weeks after due date of the assessment at BESS.		
Learning outcomes assessed			
1	Develop an appreciation of the flow of financial accounting and other information to the equity market	Understanding of the theories and practice of financial statement analysis	All the learning outcomes of this unit
2	Understanding the techniques in cash flow analysis and forecasting	Become familiar with Industry and business strategy analysis	
3	Understanding and implementing various financial	Analysing a firm's financial position	

	Three Different Case Studies	Syndicate Project- Two Presentations	Syndicate Project- Final Report
	valuation techniques	and estimate its fundamental value from its annual report	
4	Learning how to develop financial models to analyse and value a firm's financials	Develop an appreciation of the flow of financial accounting and other information to the equity market	
5	Critically evaluate financial analysis and valuation techniques and use information to make appropriate decisions		
Graduate capabilities assessed			
1	Critical analysis skills in information management and analysis	Communication and negotiation skills	Critical analysis skills in information management and analysis
2	Problem solving skills	Teamwork skills	Problem solving skills
3	Capable of applying their knowledge in unfamiliar situation in a professional manner.	Capable of applying their knowledge in unfamiliar situation in a professional manner.	Capable of applying their knowledge in unfamiliar situation in a professional manner.
4	Capable of creating new knowledge and understanding through the process of research and inquiry		Communication and negotiation skills
5	Capable of working independently and sustainably, in a way that is informed by openness, curiosity, and a desire to meet a new challenges		Teamwork skills
6	Capable of writing reports to a professional standards	.	Commitment to continuous learning by reflecting on the application of the material covered in lectures and Case Studies.
7			Capable of creating new knowledge and understanding through the process of research and inquiry
8			Capable of writing reports to a professional standards

Final Examination:

There will be a three hour final examination. Calculators will be allowed in the examination. No translation dictionaries will be allowed in the final examination for this unit. Students are also allowed to bring one A4 page of handwritten notes (written on both sides) to exam. Students must attend this examination, unless clearly prevented from doing so by illness or misadventure.

The University Examination Period in first semester 2011 starts from 6th June 2011. Students are expected to present themselves for examination at the time and place designated in the University Examination Timetable. The timetable will be available in draft form approximately eight weeks before the commencement of the examinations and in final form approximately four weeks before the commencement of the examinations, at <http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances a student may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at <http://www.student.mq.edu.au/ses/Special%20Consideration.html>

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled as soon as possible after the conclusion of the official examination period.

Students are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is, the final day of the official examination period.

PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. Students must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: <http://www.student.mq.edu.au/plagiarism>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if a student is found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in

the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

In the Department of Accounting and Finance all final grades are determined by a grading committee; they are not the sole responsibility of the Unit Coordinator.

The student numerical grade (SNG) is not a summation of the assessment components. To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination, as well as other assessments within the unit. Please refer to relevant pages in the Handbook of Postgraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. At all times, student ID cards must be displayed in the locations provided.

Students are expected to act responsibly at all times when utilising University IT facilities. The following regulations apply to the use of computer labs and online services:

- Accessing inappropriate web sites, or downloading inappropriate material, are not permitted, material that is not related to coursework in units authorised to use these facilities is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may possibly result in criminal proceedings. Non-compliance with these conditions may result in disciplinary action without further notice.

Students are reminded to communicate to staff only through the Macquarie University email as this is the only official channel.

ACCG832 2011-SEMESTER 1- CLASS SCHEDULE

<u>WEEK</u>	<u>TOPIC</u>	<u>TEXTBOOK</u>	<u>PARTICIPATION</u>
1	Introduction Strategic Analysis	Chapters 1 & 2	<i>Formation of syndicates</i>
2	Overview of Accounting Analysis	Chapter 3	<i>Finalisation of syndicates</i>
3	Implementing Accounting Analysis	Chapter 4	
4	Financial Analysis Review of Cost of Capital	Chapter 5,8	<i>First Case Study due on 17th March</i>
5	Cash Flow Analysis	Chapter 5	
6	Forecasting	Chapter 6	
7	Valuation Theory and Concepts	Chapter 7	<i>First presentation of syndicate project</i>
	Mid Semester Break		<i>Second Case Study due on 14th April</i>
8	Valuation Implementation Part I	Chapter 8	
9	Valuation Implementation Part II	Chapter 8	
10	Valuation Ratios	Chapter 7	<i>Third Case Study due on 12th May</i>
11	Mergers and Acquisitions	Chapter 11	
12	Credit Analysis and Distress Prediction	Chapter 10	<i>Second presentation of syndicate project</i>
13	Revision		<i>Syndicate Project due on 30th May</i>