

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

**ACCG350**  
**Financial Statement Analysis**  
**Semester 2, 2010**

*Department of Accounting and Finance*

**MACQUARIE UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
UNIT OUTLINE**

<b>Year and Semester:</b>	<b>2010, Semester 2</b>
<b>Unit convenor:</b>	<b>Sue Wright</b>
<b>Prerequisites:</b>	<b>ACCG253 (P) or ACCG252 (P)</b>
<b>Credit points:</b>	<b>3</b>

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 one of the teaching staff in the unit.

**ABOUT THIS UNIT**

- This unit equips students to undertake financial analysis; to develop an appreciation of the flow of financial accounting and other information to the equity market; and to understand the ways in which this information is used for valuation. Students develop an understanding of the theoretical and practical relations between financial statement items and share markets. They learn to apply the five steps of analysing an organisation: business and strategic analysis; accounting analysis; financial analysis; forecasting; and valuation.
- Students learn to read and interpret an organisation's annual report in order to make investment decisions about that organisation. Specifically, they thoroughly analyse and prepare a report on an Australian company's financial position and estimate its fundamental value.
- In this unit students develop generic skills in a range of areas, including: critical analysis skills in information management and analysis; problem-solving skills in sourcing and identifying relevant information and interpreting output in a multidisciplinary environment; and communication and negotiation skills through group work and the presentation of progress reports.
- This unit is relevant for students interested in careers in areas such as investments, portfolio management, financial and business analysis, and auditing. The unit draws on several discipline areas that students have studied in their program: economics, statistics, accounting, finance, marketing and business. In particular, it relies on the pre-requisite sequence of ACCG101 Accounting 1B and ACCG253 Financial Management (or ACCG252 Applied Financial Analysis and Management).

## TEACHING STAFF

Name	Role in Unit	Room	Phone
Assoc. Professor Sue Wright	Unit Co-ordinator, Lecturer	E4A333	9850 8521
Mr Steven Hai Wu	Lecturer, Tutor	E4A212	9850 7295
Mr Anthony Passe de Silva	Guest Lecturer	na	na
Mr David Ko	Tutor	na	na

## CONSULTATION TIMES

### Academic Matters:

- A student consultation for academic matters timetable will be posted on the ACCG350 Blackboard webpage at the beginning of the semester.
- You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their 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. Students experiencing significant difficulties with any topic in the unit are strongly must seek assistance immediately.
- In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby.

### Administrative Matters:

- Please direct all enquiries relating to the unit to accg350@mq.edu.au.
- Students are reminded to communicate with staff using their student email account. Staff will only reply to Macquarie University student email.

## REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

- Palepu, Healy, Bernard, Wright, Bradbury and Lee, Business Analysis and Valuation, 1<sup>st</sup> Asia-Pacific edition, Cengage Learning, 2010.
- Wright, ACCG350 Financial Statement Analysis – A Custom Publication, McGraw-Hill, 2006.
- The prescribed textbook and workbook can be purchased from the Macquarie University Co-op Bookshop. Copies are also available in the Macquarie University Library.

## CLASSES

- There are three contact hours for learning each week: one 2 hour lecture and one 1 hour tutorial. Attendance at both the lecture and the allocated tutorial each week is compulsory. In semester 2, all ACCG350 classes are held during the day; there are no evening classes.
- The lecture is on Tuesday 11am-1pm in Mason Theatre. Details of tutorial classes can be found on the ACCG350 Blackboard webpage.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>
- Tutorial classes can only be changed during the first two weeks of classes, by emailing the unit administrator ([accg350@mq.edu.au](mailto:accg350@mq.edu.au)) with a request for a change, including two alternative times, in order of preference. Changes will be confirmed (or denied if there is insufficient space at the requested time) by return email. There will be no tutorial changes approved after the end of the second week of classes.

## TECHNOLOGY USED AND REQUIRED

- Students require computer technology and competence sufficient to regularly access the ACCG350 Blackboard webpage via the internet, and to use a word processing and spreadsheet program (such as Word and Excel) for assignments.
- The ACCG350 Blackboard webpage will contain copies of lecture transparencies, announcements and changes made during the semester. Students are expected to visit the unit webpage on a regular basis.

## LEARNING OUTCOMES

The learning outcomes of this unit are:

1. To understand the flow of financial accounting and other information from the organisation's management and other sources to the equity market,
2. To evaluate the accounting policies and practices used by an organisation, and to reconstruct the financial reports as appropriate,
3. To understand the theories underlying various aspects of financial statement analysis, in particular various methods of valuation
4. To understand and apply the five practical steps of financial statement analysis, which will result in
  - a. Being able to analyse any organisation's current financial position
  - b. Being able to forecast any organisation's future financial position
  - c. Being able to estimate any organisation's fundamental value, using publicly available information
  - d. Being able to prepare a comprehensive oral and written valuation report on any organisation

## 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:

Learning Outcome	1.	2.	3.	4a.	4b.	4c.	4d.
Discipline Specific Knowledge and Skills	✓	✓	✓	✓	✓	✓	✓
Critical, Analytical and Integrative Thinking		✓	✓	✓	✓	✓	✓
Problem Solving and Research Capability		✓	✓	✓	✓	✓	✓
Creative and Innovative		✓		✓	✓		✓
Effective Communication	✓						✓
Capable of Professional and Personal Judgement and Initiative	✓	✓	✓		✓	✓	✓
Commitment to Continuous Learning	✓			✓	✓	✓	✓

## TEACHING AND LEARNING STRATEGY

- The material in this unit is presented in the weekly lectures, and discussed in tutorials using both tutorial questions and case studies as bases for discussion. Students are expected to read the prescribed readings prior to attending the lecture. Students are also expected to have finished the weekly assigned homework before their tutorial class, and to participate in class discussions.
- Michael Hill Jeweller will be used as the continuing lecture example to which the theories and techniques presented in many of the lectures are applied.
- The major assignment for this unit requires students to also apply the theories and techniques to a current Australian company, in groups of three or four. Students will form groups in the first couple of weeks of semester, and will work on the major assignment throughout the semester in those groups, facilitating their learning in a practical way.
  - Students need to be available at mutually convenient times to be effective group members.
  - The assignment 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, as there is with tutorial questions. Many approaches are valid and a variety of answers may be equally correct.
  - Students may approach the unit convenor for assistance with approaches to take with this project, but not for answers to questions.

## METHODS OF ASSESSMENT

Although many of the learning activities of this unit are undertaken by students individually (reading, attending lectures and tutorials, preparing answers to tutorial questions and case studies, completing the short written assignment), the degree of outside or collaborative assistance in those that are assessable cannot be determined by the unit co-ordinator. In addition, one important learning activity, the major assignment, is a group activity.

Therefore, a final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

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:

<b>Short Written Assignment</b>	10%
<b>Major Assignment Presentations (2 x 5%)</b>	10%
<b>Major Assignment Final Report</b>	30%
<b>Final Examination</b>	<u>50%</u>
	100%

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

### **The Final Examination**

A three (3) hour final examination for this unit will be held during the University Examination period. The University Examination period in Second Half Year 2010 is from 17<sup>th</sup> November to 3<sup>rd</sup> December.

You are expected to present yourself 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. <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 you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at [http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.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.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: <http://www.mq.edu.au/policy/docs/examination/policy.htm>

### **Short Written Assignment:**

Students will submit a 800-1000 word typed assignment in the lecture on 24<sup>th</sup> August or earlier, on one of the following topics, answered in relation to David Jones (DJS) in 2009. This is an early diagnostic assessment, the results of which will be indicative of the student's application to achieving the learning outcomes of the unit. Students who achieve poor results in this assignment should consult the teaching staff regarding strategies for improving their performance.

- (a) Discuss the measures used by DJS to increase the credibility of its accounting communication in its 2009 annual report, OR
- (b) Discuss DJS's communications to its external investors through its financial policies in 2009, OR
- (c) Discuss DJS's use of voluntary disclosures in its 2009 annual report as a form of investor communication.

## **Major Assignment**

“In groups of three or four students, evaluate and report on the most recent annual report of an Australian company (chosen from the list below), as if you were security analysts making a recommendation on whether or not your clients should invest in it.”

The report is to be handed in on Tuesday 9<sup>th</sup> November or earlier, in the lecture. It is to be approximately 15 – 20 pages in length (plus references and appendices) and is to include the following sections:

1. **Business and Strategic Analysis**, including
  - an analysis of the economy, the industry, and the company's place in the industry;
  - the company's competitive and corporate strategy;
  - the company's and the industry's growth potential;
  - and the implications of all of these for its future profitability.
2. **Accounting Analysis**, including
  - an analysis of the company's accounting policies that are likely to affect the interpretation of its financial reports,
  - and a comparison to those of a competitor in the same industry.
3. **Financial Analysis**, including
  - the presentation and interpretation of relevant ratios for the company and a competitor (not from the list of companies below),
  - a time series analysis of these for both companies over the past three years,
  - and an analysis of the company's overall financial position.
4. **Prospective Analysis**, including
  - forecasts for all financial statements in full for the company for one financial year,
  - reasons for major items,
  - and valuation of the company using two different methods.
5. **Recommendation** for the clients, drawing on the whole analysis of the company.

The **cover sheet** must include the following information:

- Student names and student numbers
- Company name
- Number of pages
- Signed plagiarism statement
- Description and weighting of contributions by each group member
- Signatures of all group members

The report should be word-processed and professionally presented, and secured with plastic spiral binding.

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 assignment. Students should consult with the unit convenor if further clarification is needed.

Assessment and marking of this assignment will be:

- 5% for a short presentation on section 1 of the assignment in the allocated tutorial\* in week 6 (all groups members to speak). This will be assessed on a pass/fail basis.
- 5% for a short presentation on sections 2 and 3 of the assignment in the allocated tutorial\* in week 10 (all group members to speak). This will be assessed on a pass/fail basis.
- 30% for the final report, to be submitted in week 13, on the basis of its accuracy, comprehensiveness, cohesiveness, and overall quality.
- Questions in the final examination based on the major assignment (including for example, reasons why certain methods or data have been chosen, assumptions behind calculations).

\* The allocated tutorial of all or the majority of group members.

#### LIST OF AUSTRALIAN COMPANIES TO USE FOR MAJOR ASSIGNMENT

<u>Name</u>	<u>Industry</u>	<u>Web Address</u>
Brambles	Transportation	(brambles.com)
Caltex	Energy	(caltex.com.au)
Campbell Bros	Soap & Chemicals	(campbell.com.au)
Dominos Pizzas	Food, Beverage and Tobacco	(dominos.com.au)
Hills Industries	Diversified Products	(hills.com.au)
Orica	Materials	(orica.com)
Tabcorp	Gambling & Entertainment	(tabcorp.com.au)

## RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

	Assessment Task 1	Assessment Task 2	Assessment Task 3	Assessment Task 4
Title/Name	<b>Short Written Assignment</b>	<b>Tutorial Presentations</b>	<b>Major Assignment</b>	<b>Final Examination</b>
Description	See separate note on page 6	See separate note on page 8	See separate note on page 7	3 hours plus 10 minutes reading time
Due date	24 <sup>th</sup> August	7 <sup>th</sup> September, 19 <sup>th</sup> October	9 <sup>th</sup> November	End of semester examination period
% Weighting	10%	2 x 5%	30%	50%
Grading	See separate note on page 6	See separate note on page 8. Presentations are marked as pass (5%) or fail (0%).	See separate note on page 7	Assessed and graded according to task
Submission method	In lecture	In tutorial	In lecture	During examination period
Feedback	Written comments and mark, by 14 <sup>th</sup> September	Written and verbal comments, in tutorial	Written comments and mark, by 16 <sup>th</sup> November	Grade results and possible viewing of examination scripts
Estimated student workload (hours)	4 hours	4 – 8 hours per student for group presentation and associated research	30 – 40 hours per student for associated research and report preparation	Cumulative over semester plus revision
Learning outcomes assessed	1	2, 4a, 4d	2, 3, 4a, 4b, 4c, 4d	1, 2, 3, 4a, 4b, 4c, 4d

Late submission of the short written assignment and the major assignment will lose 10% of the awarded marks per day or part thereof. This will be waived if there are grounds for special consideration. Late tutorial group presentations will not be allowed. Individual absences must be supported by documentary evidence, eg a medical certificate.

## **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](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## **GRADES**

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG). The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and their overall assessment marks in the unit.

Please also refer to relevant pages in the Handbook of Undergraduate Studies.

## **PRIZES**

- The Macquarie University Accounting and Finance Prize for ACCG350, worth \$100, will be awarded to the student with the best performance in this unit.

## **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](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](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.au>.

## **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.