

School of Accounting and Commercial Law

## **ACCY 306 FINANCIAL STATEMENT ANALYSIS**

Trimester Two 2007

### **COURSE OUTLINE**

#### **Course Description**

*Financial Statement Analysis* is a third-year undergraduate course. It engages participants in a critical examination of accounting and finance concepts and theories relevant to the analysis of financial statements. These ideas are then immediately applied to the analysis of real firms. The focus of the course is on how we can analyse financial statements to help us better understand the economic and business realities of firms. While recognising this can be done from the perspective of a range of different stakeholders, we will focus on the interests of equity investors. This will focus our attention on seeking to use financial statement analysis to help us know what adds value. We will also consider the value of financial statement analysis to our capital markets and communities.

The main product to be assessed is a series of assignments you will complete as you comprehensively analyse your own New Zealand (or Australian) listed company. You will also be assessed on your preparation for our sessions by completing a series of session preparation assignments (SPA's).

#### **Aims and Objectives of the Course**

This section sets out what I would like you to learn in this course. The actual aims and objectives of the course will be the aims and objectives *you* have.

The aim of this course is to give you the opportunity to learn how to *use* financial statements to better understand the economic and business realities of firms.

To achieve this aim you will need to gain the following knowledge and skills:

Knowledge:

- To understand that stakeholders in a firm are primarily interested in a firm's future, not its past.
- To understand why we might use certain financial ratios to help us understand a firm's future.
- To realise that ideas and concepts in accounting and finance are practical and relevant to the realities of business.
- To understand the discounted abnormal earnings (DAE) framework for financial statement analysis.

### Skills:

- To learn specific, useful skills about how to analyse a firm's financial statements by:
  - actively engaging with an extended case study on a New Zealand listed company, Ryman Healthcare; and
  - completing your own analysis of another New Zealand (or Australian) listed company.
- To develop your own *personal MyFSA*<sup>®</sup> financial statement analysis spreadsheet which you can use to analyse the financial statements of firms in the future and to further develop into your own personalised financial statement analysis tool.

## Teaching and Support – Contact Information

### Lecturer/Tutor and Course Co-ordinator



**Martin Turner**

B.Com (Hons1 and University Medal), LLB, MBA

**Senior Fellow**

**Office:** RH 712, Pipitea Campus  
7<sup>th</sup> Floor, Rutherford House,

**Mobile:** 021 476 200

**E-mail:** [martin.turner@vuw.ac.nz](mailto:martin.turner@vuw.ac.nz)

**Preferred Contact Method:** Email

**Office Hours** By appointment

**Martin Turner** is a lecturer and tutor for the Course. He is a Senior Fellow in the School of Accounting and Commercial Law and has 20 years experience in the financial services industry: investment banking, funds management and private equity. He has been chairman or director of a number of mid-size private companies, including Arthur Ellis (Fairydawn/Great Outdoors), Donaghys and Dress-Smart. He is a director of Falcon Private Equity and a council member (and past chairman) of the New Zealand Venture Capital Association.

### Lecturer/Tutor



**Thu Phuong Truong**

B.Com (UNSW), BCA Hons (VUW)

**Assistant Lecturer**

**Office:** RH 615, Pipitea Campus  
6<sup>th</sup> Floor, Rutherford House,

**Phone:** 463 5233 (extn 8961)

**E-mail:** [phuong.truong@vuw.ac.nz](mailto:phuong.truong@vuw.ac.nz)

**Preferred Contact Method:** Email

**Office Hours** By appointment

**Thu Phuong Truong** is a lecturer and tutor for the Course. Her research interests are in the area of financial regulation and corporate governance, and voluntary and mandatory disclosure. Phuong is currently working on her PhD research: the impact of corporate governance quality on management earnings forecasts in New Zealand. Phuong's teaching interests include financial accounting and financial statement analysis.



**Administration Co-ordinator**

**Chloe Thompson**

BA (VUW)

**Administrator**

**Office:**

RH 708, Pipitea Campus  
7<sup>th</sup> Floor, Rutherford House,  
463 5383

**Phone:**

**E-mail:**

[chloe.thompson@vuw.ac.nz](mailto:chloe.thompson@vuw.ac.nz)

**Preferred Contact Method:**

**Email**

**Office Hours**

Mon-Fri: 8.00am – 5.00am  
(Note: office closed 10.30am-14.45am  
and 3.30pm-3.45pm)

## Lectures

Day	Time	Room
Wednesday	8.30 – 10.20	GBLT2
Thursday	14.40 – 15.30	RHLT2

## Tutorials

You should sign up for tutorials using Blackboard during the first week of classes. Tutorials commence in Week 2. Involvement in tutorials is optional. If you do not plan to attend and participate in tutorials, please do not sign up for a tutorial group. If you sign up for a tutorial group you will be agreeing to attend each tutorial and to actively participate in your tutorial group discussion.

There are seven (7) tutorial groups available:

Wednesday:	10.30 – 11.20	GBG07	Tutor: Martin Turner
	11.30 – 12.20	GBG07	Tutor: Martin Turner
	13.40 – 14.30	GBG07	Tutor: Phuong Truong
Thursday:	9.30 – 10.20	RWW125	Tutor: Phuong Truong
	10.30 – 11.20	RWW125	Tutor: Phuong Truong
	11.30 – 12.20	RWW125	Tutor: Martin Turner
	12.40 – 13.30	RWW125	Tutor: Martin Turner

## Detailed Tutorial Signup Instructions

1. Go to the signup website at: <https://signups.vuw.ac.nz>
2. Enter your SCS username and password to login the system.
3. The “Signup Home” page opens. It displays all courses you are enrolled for and that use the S-Cubed Tutorial & Workshop Signup system. Click on the course you wish to sign up for.
4. The selected course page opens. It will show the course contact and brief details of the signup instructions. A “key” is provided at the bottom that explains all buttons and what they do.
5. The schedule of tutorials includes the day/time, location, maximum group size, and spaces left in the tutorial sessions.
6. If there are spaces left in a particular session, you will see the “ENROL” button next to it. You can click this button to enrol yourself into that tutorial session.
7. If there are NO more spaces left in a particular session, you will see the “JOIN WAITLIST” button, if available. You can click this button to join the waitlist for that tutorial session. Please note that you will be removed from any other waitlist you may have joined earlier. If somebody withdraws from this session, you will automatically be moved up the waitlist or enrolled into the session. In this case you are enrolled in the session; an email will be sent to you if you are enrolled into the session from a waitlist.
8. You can only “JOIN WAITLIST” if you have already enrolled in one of the other available sessions. In other words, “ENROL” in one session and then you can choose to join the waitlist for another preferred session.
9. You can choose to “WITHDRAW” from a session you have already enrolled for. You can also choose to “CANCEL WAITLIST” to remove yourself from a particular waitlist.
10. A “FULL” button indicates all seats and waitlist are full for that tutorial session. You must choose another session.
11. More details on the various buttons are available in the “Key” section at the bottom of the signup page.
12. You should “ENROL” in only ONE tutorial session and may “JOIN WAITLIST” for only ONE other tutorial session.
13. You can login and signup (or change your signup) anytime before the **closing date of the tutorial signup. You will NOT be able to sign up or change your choice after the tutorial signups have closed.**
14. You can view/confirm details of the sessions you are enrolled and waitlisted for, such as day/time and location by clicking on “My Signups” on the left hand menu.
15. Click on “Support” on the left hand menu if you are having problems.

This online signup system is available around the clock over the internet. Any requests after this date will need to be manually handled by the course administrator. You will need to submit a written application stating the reason why you were not able to sign up on time using the online system, along with other relevant documentation such as medical certificate etc.

Finally, **you must always attend the tutorial sessions that you have signed up for.** If you attend a different session, your attendance may not be recorded.

## Assessment

Assignments (5 @ 15% each)	75%
Seminar Preparation Assignments (SPAs) (5 @ 5% each)	<u>25%</u>
Total	100%

There are no mandatory course requirements.

The assessment for the course is designed to give you the opportunity to demonstrate that you have gained the required knowledge and skills and have considered how you wish to incorporate them into your own view of how we can know how firms add value.

Performance will be measured on the following basis:

Grade	Performance
A	<b><u>Formulate and solve your own problems</u></b> about how a firm adds value by <b><u>generating</u></b> and applying facts and principles about financial statement analysis.
B	<b><u>Select and apply</u></b> facts and principles about financial statement analysis to <b><u>solve a given problem</u></b> .
C	<b><u>Apply</u></b> a given or recalled fact or principle about financial statement analysis
D	<b><u>Recall</u></b> some facts and principles about financial statement analysis.

You should clearly understand that **simply recalling facts and principles about financial statement analysis that we cover in this course will not be sufficient to pass this course.** It is possible you may have been able to pass or, indeed, achieve a good grade in other courses by simply doing this. Such an approach to studying and learning will not work for you in this course.

You will need to be able to recall some facts and principles about financial statement analysis that we cover in this course in order to be able to achieve an A, B, or C grade. However, to achieve a C grade you will also need to be able to apply to a particular firm or firms' facts or principles you are given or need to recall. To achieve a B grade in this course you will need to be able to select appropriate facts and principles and apply them to solve a problem you are given. To achieve an A grade you will also need to be able to formulate or raise your own problems and solve them, generating or developing the facts and principles covered in this course to apply to your own problems that you raise.

As an indication only, the following behaviours are likely to assist you to be able to demonstrate performance appropriate to each grade:

<b>Grade</b>	<b>SPAs</b>	<b>Lectures</b>	<b>Tutorials</b>	<b>Discussion Board</b>	<b>Assignments</b>
<b>A</b>	Complete all SPAs. Each exceeds some or all expectations	Attend and actively participate in all lectures	Attend and actively participate in all tutorials	Actively participate	Complete all Assignments before due dates. Indicate capacity to formulate and solve your own problems with your firm, generating or developing the facts and principles covered in this course
<b>B</b>	Complete all SPAs: some meet minimum expectations and some exceed some expectations	Attend all and actively participate in most lectures	Attend all and actively participate in most tutorials	Regularly participate	Complete all Assignments before due dates. Indicate capacity to select and apply facts and principles about financial statement analysis to solve given problems in the Assignments
<b>C</b>	Complete all SPAs that meet minimum expectations	Attend most lectures	Attend few or no tutorials	Limited, occasional participation	Complete all Assignments before due dates. Indicate capacity to apply a given or recalled facts or principle about financial statement analysis.
<b>D</b>	Not complete all SPAs that meet minimum expectations	Attend few or no lectures	Attend few or no tutorials	Not participate	Not complete all Assignments. Simply indicate capacity to recall some facts and principles about financial statement analysis

## Estimated Course Workload

**These figures represent the course coordinator's best (maximum) estimates:**

1. 36 hours engaging actively in lectures (12 @ 2 hours plus 12 @ 1 hour)
2. 9 hours engaging actively in tutorials (9 @ 1 hour)
3. 15 hours preparing Session Preparation Assignments (SPA's) (5 @ 3 hours)
4. 10 hours completing other reading and preparation for classes not included in SPA's.
5. 90 hours preparing Assignments (5 @ average of 16 hours – amount for each Assignment could be expected to vary between about 10 and 20 hours)
6. 10 hours reading and responding to course related Blackboard postings

### **Total 170 hours**

Please note: Since each of us works at an individual pace, the above estimates for 3, 4, 5 and 6 should be considered as rough guidelines only. Many participants will no doubt be able to complete this work in less time. Some may take more time for some of these tasks.

This course is a 24 point course. Generally, you can expect a workload of about 10 hours per point. This would indicate a total workload of 240 hours for this course. It is not expected that any students should need to exceed this amount.

The Course is over 12 weeks, with a 2 week Mid-Semester Break (where there will be no classes). It is likely you will need to continue working on this Course during the Mid-Semester Break.

## Readings

Required: Student Notes. For sale at VicBooks, Pipitea Campus.

Recommended:

Penman, S., *Financial Statement Analysis and Security Valuation*, McGraw-Hill Irwin, New York, 3<sup>rd</sup> ed. 2006.

Palepu, K.G., Bernard, V.L. & Healy, P.M., *Business Analysis and Valuation: Using Financial Statements: Text and Cases*, I T P (International Thompson Publications), 3<sup>rd</sup> ed. 2004.

Graham, B.J. and Dodd, D.L., *Security Analysis: Principles and Technique*, 2<sup>nd</sup> ed. McGraw-Hill Book Company New York and London. 1940.

The recommended readings are available on 3 Day Closed Reserve in the Commerce Library.

## **Assignments**

Assignments and SPA's are to be lodged electronically on Blackboard. If you have any difficulty with this, contact Chloe Thompson for assistance.

Penalty for late submission of Assignments and SPA's:

Up to 1 week late: Deduct 1% from grade.

Between 1 and 2 weeks late: Deduct 2% from grade.

Assignments submitted more than 2 weeks late will not be accepted.

If you have a medical or other reason for late submission of an assignment or SPA, please contact Martin Turner by email before the due date.

If you submit your Assignment one or more days **before** the due date, I will undertake to provide you with feedback and your grade within 24 hours. If you submit your Assignment on the due date, I will use my best endeavours to provide you with feedback and your grade within 3 working days. If you submit your Assignment after the due date, I will not provide you with feedback but will simply provide you with a grade for that Assignment.

Your feedback and grades on your Assignments and SPAs will be provided to you electronically through Blackboard.

Data collected by students for their Assignments may be used to calculate certain average ratios for the New Zealand (and Australian) share markets. Also, aspects of the spreadsheets prepared by students may be used as part of future case studies for courses on Financial Statement Analysis. Submission of your Assignments will imply your consent for this data from your Assignments to be used for these purposes.

## **Communication of Additional Information**

Additional information concerning this course will be posted on Blackboard. Blackboard is a web-based tool central for the operation of this course. You should check Blackboard every few days for announcements and to keep an eye on the progress of the Discussion Board for this course. You are welcome to simply observe the discussions that occur, as well as participate as you wish. Useful resources may also be posted on Blackboard during the course. Both Martin Turner and Phuong Truong enjoy interaction with students in open forum on the Discussion Board, as we grapple with the issues of how to use ideas and concepts in accounting and finance to understand the economic and business realities of firms from their financial statements. Any student in the course can start up a new thread on the Discussion Board.



## Programme and Readings

<b>ACCY 306: FINANCIAL STATEMENT ANALYSIS</b>			
<b>COURSE SCHEDULE</b>			
<b>DATES</b>	<b>SESSION TOPICS</b>	<b>READINGS</b>	<b>ASSESSMENTS DUE</b>
<b>WEEK 1</b>			
Wed 11 July 8.30 – 10.20am Thurs 12 July 2.40 – 3.30pm	Introduction		
<b>WEEK 2</b>			
Wed 18 July 8.30 – 10.20am Thurs 19 July 2.40 – 3.30pm	Focus on Reality	Chap 1: TKWAV SN: Reading 2	SPA#1 Due 5.00pm Tues 17 July
<b>WEEK 3</b>			
Wed 25 July 8.30 – 10.20am Thurs 26 July 2.40 – 3.30pm	How a Firm Adds Value	Chap 2: TKWAV SN: Reading 3	SPA#2 Due 5.00pm Tues 24 July
<b>WEEK 4</b>			
Wed 1 Aug 8.30 – 10.20am Thurs 2 Aug 2.40 – 3.30pm	Many Ways to Assess Value	Chap 3: TKWAV SN: Readings 4, 5 and 6	ASS#1 Due 5.00pm Tues 31 July
<b>WEEK 5</b>			
Wed 8 Aug 8.30 – 10.20am Thurs 9 Aug 2.40 – 3.30pm	Understanding the Past	Chap 4: TKWAV	SPA#3 Due 5.00pm Tues 7 Aug
<b>WEEK 6</b>			
Wed 15 Aug 8.30 – 10.20am Thurs 16 Aug 2.40 – 3.30pm	Understanding the Past	SN: Reading 7	ASS#2 Due 5.00pm Tues 14 Aug
<b>Mid-trimester Break: 20 Aug – 31 Aug</b>			

<b>DATES</b>	<b>SESSION TOPICS</b>	<b>READINGS</b>	<b>ASSESSMENTS DUE</b>
<b>WEEK 7</b>			
Wed 5 Sept 8.30 – 10.20am Thurs 6 Sept 2.40 – 3.30pm	Predicting the Future	Chap 5: TKWAV	SPA#4 Due 5.00pm Tues 4 Sept
<b>WEEK 8</b>			
Wed 12 Sept 8.30 – 10.20am Thurs 13 Sept 2.40 – 3.30pm	Predicting the Future	SN: Reading 8	ASS#3 Due 5.00pm Tues 11 Sept
<b>WEEK 9</b>			
Wed 19 Sept 8.30 – 10.20am Thurs 20 Sept 2.40 – 3.30pm	Focus on the Enterprise	Chap 6: TKWAV	SPA#5 Due 5.00pm Tues 18 Sept
<b>WEEK 10</b>			
Wed 26 Sept 8.30 – 10.20am Thurs 27 Sept 2.40 – 3.30pm	Focus on the Enterprise	SN: Reading 9	ASS#4 Due 5.00pm Tues 25 Sept
<b>WEEK 11</b>			
Wed 3 Oct 8.30 – 10.20am Thurs 4 Oct 2.40 – 3.30pmt	How to Predict the Future to Eternity	Chap 7: TKWAV SN: Reading 10	
<b>WEEK 12</b>			
Wed 10 Oct 8.30 – 10.20am Thurs 11 Oct 2.40 – 3.30pm	Going Forward	Chap 8: TKWAV	ASS#5 Due 5.00pm Tues 9 Oct

TKWAV: Reading 1 from Student Notes: Turner, M., *Financial Statement Analysis: To Know What Adds Value*

SN: Student Notes

## **Faculty of Commerce and Administration Offices**

### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

## **Notice of Turnitin Use**

(All courses which make use of Turnitin must inform students prior to collection of work for assessment. The following paragraph (modified as necessary for particular circumstances) should appear in course outlines.)

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. At the discretion of the Head of School, handwritten work may be copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.vuw.ac.nz/policy](http://www.vuw.ac.nz/policy).

For information on the following topics, go to the Faculty's website [www.vuw.ac.nz/fca](http://www.vuw.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct

- Meeting the Needs of Students with Impairments
- Student Support

### **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.