

Should you be unable to attend a particular class please let Martin Turner know by email before the class. This will help him to appropriately support your learning in the course.

Withdrawal dates

Information available via <http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Introduction

Financial Statement Analysis 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 and interpret the economic and business realities of firms. In particular, we will see how we can use financial statements to help us know what adds value. While recognising this can be done from the perspective of a range of different stakeholders, we will focus on the interests of equity investors. We will also consider the value of financial statement analysis to our capital markets and communities, as well as to ourselves.

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

Overall Course Objectives

This section sets out what the lecturer 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 and interpret the economic and business realities of firms, and in particular to know what adds value.

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 a New Zealand listed company.
- To develop your own *personal myFSA*[®] 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.

Workload

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

1. 24 hours engaging actively in lectures (8 @ 3 hours)
2. 30 hours preparing Session Preparation Assignments (SPA's) (5 @ 6 hours)
3. 14 hours completing other reading and preparation for classes not included in SPA's.
4. 60 hours preparing Assignments (5 @ 12 hours)
5. 10 hours reading and responding to course related Blackboard postings

Total 138 hours

Please note: Since each of us works at an individual pace, the above estimates for 2, 3, 4 and 5 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.

Interaction with Other Students

As each of you will analyse your own individual firm (all of which are unique in various respects), it is not possible to 'cheat' in your Assignments by collaborating or co-operating with other students in the course. Indeed, you will find you will need to personally understand the concepts and ideas in the course for yourself before you can apply and adapt them to your firm. Thus, collaboration and co-operation between students is encouraged in the Assignments. You are all seeking to solve similar, but different, problems when analysing each of your firms. Interaction and discussion with other students will be important for you to be able to complete your Assignments.

Your SPAs will be your description of your personal reaction and engagement with the readings before class. This work will, by necessity, be strictly individual and personal. Collaboration on SPAs is not allowed beyond general discussion as to how one might interpret the nature of the SPAs questions. Please do not work together to formulate a response for your SPAs.

Readings

Required: Student Notes. These will be made available a week before the course starts.

Recommended:

1. Penman, S., *Financial Statement Analysis and Security Valuation*, McGraw-Hill Irwin, New York, 3rd ed. 2006.
Call number: HF5681 B2 P399 F 3ed. (4 copies).
There are also 2 copies of each of the 1st and 2nd editions. The 2nd and 3rd editions are quite similar in terms of content.
2. Palepu, K.G., & Healy, P.M., *Business Analysis and Valuation: Using Financial Statements: Text and Cases*, Thomson/South-Western, 4th ed. 2008.
Call Number: HF5681 V3 P156 B 4ed (1 copy).
3. Graham, B.J. and Dodd, D.L., *Security Analysis: Principles and Technique*, 2nd ed. Mc Graw-Hill Book Company New York and London. 1940.
Call Number: HG4521 G738 S 2ed 2003 (1 copy).

The recommended readings are available on 3 Day Closed Reserve in the Commerce Library. Recommended readings 1 and 2 are two of the current leading texts internationally on financial statement analysis. Recommended reading 3 is one of the classic texts on financial statement analysis written by the teachers of Warren Buffett and of a number of other leading investors over the past 50 years. It is highly recommended.

Student Surveys and Evaluations of Teaching

Your feedback at various stages in this course is important for the lecturer to be able to provide the best possible environment for you to learn. You will have a number of opportunities to contribute to group-wide feedback. These are:

Student Survey	When
Pre-Course Survey	Week 1
Informal Feedback on Teaching	Week 4
Assessment Experience Questionnaire	Week 8

All student surveys are brief and can be completed by students electronically on Blackboard. All student responses will be anonymous. Whether or not a student has or has not completed each survey will be visible to the lecturer.

In addition there will be a Formal Student Evaluation that will be completed by students in class at the beginning of the class in Week 9.

Your individual feedback at any time would be valuable and appreciated.

Assessment

Assignment	Title	Weight
1	Assignments (5 @ 15% each)	75%
2	Seminar Preparation Assignments (SPAs) (5 @ 5% each)	25%
	TOTAL	100%

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.

There are no mandatory course requirements for this course.

Performance will be measured on the following basis:

	Performance
Excellent	<u>Formulate and solve your own problems</u> about how a firm adds value by <u>generating</u> and applying facts and principles about financial statement analysis.
Good	<u>Select and apply</u> facts and principles about financial statement analysis to <u>solve a given problem</u> .
Satisfactory	<u>Apply</u> a given or recalled fact or principle about financial statement analysis
Unsatisfactory	<u>Recall</u> 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 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.

Assignments and SPAs

Assignments and SPAs are to be lodged electronically on Blackboard. If you have any difficulty with this, please contact Martin Turner for assistance. If you have not electronically lodged assignments through Blackboard before you may find you need some assistance initially. You are strongly advised to plan to submit your SPA#1 at least a few hours before the deadline. This will give you time to seek assistance from Martin Turner if you have difficulty electronically lodging your SPA. **You may attach your SPA#1 to an email to Martin Turner prior to the deadline if you have difficulty electronically lodging your SPA#1 to avoid any penalty for late submission.** However, if you do this you will still need to electronically lodge your SPA#1 for it to be graded. It is expected all students will have mastered the process of electronically lodging assignments and SPAs by the end of Week 1.

Penalty for late submission of Assignments and SPAs:

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

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

Assignments and SPAs 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.

Feedback on Assignments and SPAs

Each of your Assignments and SPAs will be thoroughly read and reviewed by Martin Turner. You will be given a grade for each Assignment and SPA. You can confidentially access your personal grades on Blackboard and compare them with the average for students in the course.

You will be given individual feedback on each of your Assignments and SPAs that you submit by the due date. This will be provided electronically on Blackboard and can be accessed through My Grades. General written feedback may also be provided on the Assignments and SPAs on Blackboard. If you submit your Assignment or SPA one or more days **before** the due date, I will undertake to provide you with feedback and your grade within one (1) working day. If you submit your Assignment or SPA on the due date, I will provide you with feedback and your grade within four (4) working days. If you submit your Assignment or SPA after the due date, I will not provide you with individual feedback but will simply provide you with a grade for that Assignment or SPA.

Each Assignment and SPA builds on the previous one. Thus feedback on each Assignment and SPA is likely to be very useful to you in being able to complete the next Assignment or SPA.

Communication of Additional Information

Additional information concerning this course will be communicated to you by email (to your VUW student email account) or posted on Blackboard.

If you do not regularly use your VUW student email account you will need to go into your VUW student email account and forward your email to your preferred email account (this feature is under Options).

Blackboard is a web-based tool central to 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. We recognise there are many demands on your time as students and that you may not see value in participating actively in the Discussion Board. We expect the Discussion Board will be a particularly useful vehicle for students to discuss issues with the Assignments, including practical issues with the use of Excel. There is a wealth of knowledge and skills among students in the course that can be shared in the Discussion Board; and the ability for the lecturer to respond to every student question in relation to the Assignments and SPAs is limited. Any student in the course is able to start up a new forum or thread on the Discussion Board.

Useful resources may also be posted on Blackboard during the course.

Victoria MBA Grading Standards are as follows:

Excellent Category

A- (75-79%) to A (80-84%) to A+ (85% & above): The learning is demonstrated to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master's level.

Very Good Category

B+ (70-74%): The learning is demonstrated at a high standard. Students have reached a level that clearly exceeds "competency".

Good Category

B(65-69%): The learning is clearly demonstrated without being exceptional in any way. Students can be thought of as fully competent.

Satisfactory Category

B-(60-64%): The learning is demonstrated without being exceptional in any way. Students can be thought of as competent.

Marginal Category

C(50-54%) to C+(55-59%): The learning is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to "fail" the student.

Unsatisfactory / Failure Category

E(0-39%) to D(40-49%): The learning is absent or performed to a very low level, or the performance is seriously flawed.

Referencing

There are many different styles of referencing and the Faculty of Commerce and Administration at VUW has decided to make APA (American Psychological Association) referencing style the common standard across the Faculty. The Commerce and Central Libraries hold the APA Style Guide. You can also access the information from the online VUW library site.

(<http://www.vuw.ac.nz/library/resources/virtualref.shtml#style>)

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 on the ground floor (EA005). This counter is the first point of contact for :

- 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

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.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means *no cheating*. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website:

www.victoria.ac.nz/home/studying/plagiarism.html

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 or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.

Programme and Readings

MMBA 556: FINANCIAL STATEMENT ANALYSIS COURSE SCHEDULE			
DATES	SESSION TOPICS	READINGS	ASSESSMENTS
WEEK 1 NO CLASSES			
WEEK 2			
Wed 26 Nov 5.40 – 8.30pm	Introduction: Focus on Reality	Chap 1: TKWAV SN: Reading 2	SPA#1 Due 5.00pm Tues 25 Nov ASS#1 Soft copies of firm's financial statements Due 5.00pm Fri 28 Nov
WEEK 3			
Wed 3 Dec 5.40 – 8.30pm	How a Firm Adds Value	Chap 2: TKWAV SN: Reading 3	SPA#2 Due 5.00pm Tues 2 Dec ASS#1 Financial statements entered into spreadsheet Due 5.00pm Wed 3 Dec ASS#1 Due 5.00pm Fri 5 Dec
WEEK 4			
Wed 10 Dec 5.40 – 8.30pm	Many Ways to Assess Value	Chap 3: TKWAV SN: Readings 4,5&6	
WEEK 5			
Wed 17 Dec 5.40 – 8.30pm	Understanding the Past	Chap 4: TKWAV	SPA#3 Due 5.00pm Tues 16 Dec ASS#2 * Due 5.00pm Fri 19 Dec

*** Students are able to submit ASS#2 during the Christmas Break but prior to 5.00pm Sunday 4 January 2009 without penalty. Otherwise, late penalties accrue from Friday 19 December.**

MMBA 556: FINANCIAL STATEMENT ANALYSIS COURSE SCHEDULE			
DATES	SESSION TOPICS	READINGS	ASSESSMENTS
Christmas Break: 24 Dec 2007 – 4 Jan 2009			
WEEK 6 NO CLASSES			
WEEK 7			
Wed 14 Jan 09 5.40 – 8.30pm	Understanding the Past	SN: Reading 7	
WEEK 8			
Wed 21 Jan 09 5.40 – 8.30pm	Predicting the Future	Chap 5: TKWAV SN: Reading 8	SPA#4 Due 5.00pm Tues 20 Jan 09 ASS#3 Due 5.00pm Wed 21 Jan 09
WEEK 9			
Wed 28 Jan 09 5.40 – 8.30pm	Focus on the Enterprise	Chap 6: TKWAV SN: Reading 9	SPA#5 Due 5.00pm Tues 27 Jan 09
WEEK 10			
Wed 30 Jan 09 5.40 – 8.30pm	How to Predict the Future to Eternity Going Forward	Chap 7: TKWAV SN: Reading 10 Chap 8: TKWAV	ASS#4 Due 5.00pm Sun 3 Feb 09
WEEK 11 NO CLASSES			
			ASS#5 ** Due 5.00pm Fri 13 Feb 09

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

SN: Student Notes

**** Students are able to submit ASS#5 prior to 5.00pm Tuesday 17 February 2009 without penalty. Otherwise, late penalties accrue from Friday 13 February 2009.**