

Victoria Management School

MBA 556 FINANCIAL STATEMENT ANALYSIS

Trimester Three 2011

COURSE OUTLINE

Names and Contact Details

Don Trow is the lecturer and course coordinator. Don is an Emeritus Professor of Accountancy, and in recent years has been a director of the New Zealand Stock Exchange, Ryman Healthcare Limited, Opus International Consultants Limited and the Northland Co-Operative Dairy Company Limited. After ten years with professional firms of accountants in Wellington, London and New York, Don was with the School of Accounting and Commercial Law from 1965 and was Professor of Accountancy from 1971.

Don can be contacted at don.trow@vuw.ac.nz or cell phone 021 187 4930

His office is at Room 701, Rutherford House, phone 463 5364. Office hours, by appointment. The preferred contact method is via email.

Linda Walker, Programme Administrator can be contacted at Linda.walker@vuw.ac.nz or phone 463 5367. Her office is RH11004, Rutherford House. Office hours 9:30 to 5:30pm.

Trimester Dates

The teaching period is from Monday 14 November 2011 to Monday 30 January 2012. Classes will be on **Monday evening from 5.40pm to 8.30pm in Room GBLT3.**

There will be no class in Week 4 (5 December) and on Anniversary Day (23 January). There is no examination during the course or at the end of the course. Students should note the deadline dates for completion of the six assignments that will form a substantial part of the assessment for the course. **Attendance at class is essential**, and it is expected that students will attend all classes. Should you be unable to attend a particular class, please contact Don Trow by email before the time of the class.

Withdrawal from Course:

Your fees will be refunded if you withdraw from this course on or before: **25 November 2011.**

The last date for withdrawal from this course is the three-quarter point of the teaching period **13 January 2012.**

After that date, students wishing to withdraw late must apply on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation. The application form is available from our Student Customer Service Desks, ground floor Rutherford House.

Course Content

The prescription for this course is:

An overview of the analysis and evaluation of corporate performance, financial conditions and future prospects as set out in the corporate entities' published annual reports and financial statements.

A detailed course programme, showing the topics for each class, and the due dates for assignments, is attached at the end of this Course Outline.

Course Learning Objectives

The main objective is to understand how the analysis of financial statements and reports of a range of different organisations can be made, to assess the strengths, weaknesses and future prospects of the business. When weaknesses are identified, attention will be given to understanding the steps that are appropriate to remedy each weakness. Emphasis will be placed on acquiring the skills for swift analysis of information, knowing that in the business environment such analysis often needs to be made quickly and in an informal setting.

Associated objectives, that are important to achieving the main objective, will be to understand – how financial statements are constructed (and sometimes manipulated) – how to determine the nature of acceptable accounting practice (and to identify “creative” accounting) – and how to explain the relationship between accounting information for a business and the market value of the equity instruments (or shares) for that business.

Expected Workload

An estimate of the maximum workload is:

24 hours engaged actively in the lecture class (8 x 3 hours)
72 hours preparing assignments (6 @ 12 hours)
40 hours completing other reading and preparation for classes
136 hours in total

Readings

The required reading for the course is contained in Student Notes that will be made available at the beginning of the course, and at further intervals during the course programme.

Texts that may be helpful for reference, but not required reading, are:

Penman S, *Financial Statement Analysis and Security Valuation*, McGraw-Hill Irwin, New York, 3rd edition 2006.
Palepu KG & Healy PM, *Business Analysis and Valuation: Using Financial Statements; Text and cases*, Thomson/South-Western, 4th edition 2008.

Assessment Requirements

80% of the grade will be determined from the marks awarded for the six assignments
20% of the grade will be determined from assessment of participation in the classroom, including occasional “snap tests” during the classroom sessions

Completed assignments will be discussed during the lecture class, and the assignment will be handed in for assessment at the end of the class.

Quality Assurance

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Penalties

The penalty for late submission of an assignment will be 50% of the mark for that assignment. There will be no penalty for exceeding the page number limitation for an assignment – but it would be appreciated if the size limitation is observed.

Mandatory Course Requirements

In order to pass this course, students are required to submit six written assignments. Attendance at class is essential, and are expected to attend all classes.

Victoria MBA Grading Standards

Victoria MBA - **Excellent** Category

A (80 – 84%) to A+ (85% and above): The quality is performed to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master’s level.

Victoria MBA - **Very Good** Category

B+ (70 – 74%) to A- (75 – 79%): The quality is performed at a high standard. Students have reached a level which clearly exceeds “competency”.

Victoria MBA - **Good** Category

B- (60 – 64%) to B (65 – 69%): The quality is clearly demonstrated without being exceptional in any way. Students can be thought of as competent in respect of this quality.

Victoria MBA - **Satisfactory** Category

C (50 – 54%) to C+ (55 – 59%): The quality is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to “fail” the student on this quality.

Victoria MBA - **Unsatisfactory** Category

E (0 – 39%) to D (40 – 49%): The quality is absent or performed to a very low level, or the performance is seriously flawed in this respect.

Class Representative

A class representative will be elected in the first class and that person’s name and contact details made available to VUWSA and the class. The class representative provides a communication channel to liaise with the course co-ordinator on behalf of students.

Communication of Additional Information

Additional information concerning this course will be communicated to you in the classroom and/or by mailing to your email address.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at

<http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Te Putahi Atawhai

Maori and Pacific Mentoring Programme

http://www.victoria.ac.nz/st_services/tpa/index.aspx

MMBA 556 – 2011/2012 – COURSE PROGRAMME

- Nov 14** How to read and understand financial statements. Introduction to analysis
The relationship between accounting information and share prices
Preparation for first assignment
- Nov 21** Discuss analysis of Hallenstein Glasson Holdings Ltd (Assignment 1)
Preparation for second assignment
- Nov 28** Discuss analysis of another listed retailer (Assignment 2)
Preparation for third assignment **Dec 5 – No Class**
- Dec 12** Discuss analysis of a Finance Company (Assignment 3)
Preparation for fourth assignment
- Dec 19** Discuss analysis of financial statements of NZ Banks (Ass 4)
Christmas/New year – No Classes
- Jan 9** The relationship of Gross Margin to Sales. The solvency Test
The nature of acceptable accounting & detection of creative accounting
Accounting for unusual circumstances. Preparation for fifth assignment
- Jan 16** Discuss review of a Prospectus (Ass 5) **Jan 23 – No Class**
Preparation for sixth assignment
- Jan 30** Discuss analysis and comparison of two major companies (Ass 6)

ASSIGNMENTS – MAXIMUM LENGTH 4 PAGES

To be handed in at class 21st November – Determine the strengths, weaknesses and prospects of Hallenstein Glasson Holdings Ltd. Is the share favourably priced? Explain how the company could be rearranged for the EPS and market price per share to be increased.

To be handed in at class 28th November – As for the first assignment, for another listed retailer (Financial statements to be provided).

To be handed in at class 12th December – Review information for a Finance Company (to be provided). What are your conclusions and what unanswered questions do you have?

To be handed in at class 19th December – Review the circumstances of major NZ banks (financial statements to be provided). Highlight the strengths and weaknesses of each bank.

To be handed in at class 16th January – Review a prospectus (to be provided). Explain the merits of prospective investment in this company, and the risks to be faced.

To be handed in at class 30th January – Which of 2 major companies (accounts to be provided) is the better performer and has better prospects. Which has the more favourable share price?

