Unit Outline*  

ACCT3302  

Financial Statement Analysis  

Semester 2, 2011  
Crawley Campus  

Unit Coordinator: Winthrop Professor John Watson  

Business School  
www.business.uwa.edu.au  

This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction

Financial Statement Analysis is a course that aims to provide students with a framework for using financial statement data in a variety of business analysis and valuation contexts. The course examines the role of accounting information (and intermediaries) in the economy, and how financial analysis can create value in well-functioning capital markets. The course focuses on the following four key components to effective financial statement analysis:

(i) Business strategy analysis. This is the starting point and provides the foundation for the subsequent analysis.

(ii) Accounting analysis. This involves examining how accounting rules and conventions represent (or don’t represent) the economic reality of a firm through its financial statements. This primarily involves the use of ratios to analyse a firm’s performance against appropriate benchmarks.

(iii) Prospective analysis. This involves the development of forecasted financial statement information which can then be used to estimate a firm’s value.

Expected Outcomes

On successful completion of this unit students should be able to (for a range of business examples/situations):

- Evaluate the appropriateness of a firm’s business strategy given the industry in which it operates and the likely future developments in that industry;
- Evaluate the appropriateness of a firm’s accounting policy choices and the likely impact of any inappropriate accounting policies on the firm’s income statement and balance sheet;
- Evaluate a firm’s current operating performance (profitability) using a variety of key ratios;
- Forecast a firm’s likely future performance (profitability), having regard to its business strategy, accounting policies and current performance; and
- Value the firm based on its forecasted future performance.

Course Prerequisites

Prior to enrolling in Financial Statement Analysis, students should have successfully completed the following units:

(i) ACCT1101 Financial Accounting;
(ii) ACCT2201 Corporate Accounting; and
(iii) ACCT2202 Advanced Corporate Accounting.

Course Administrative Assistant

Ms Paula Thien is the administrative assistant looking after this course. If you have any problems accessing web pages or questions about the tutorials etc please contact Paula on:

Ph: (08) 6488 2942
Email: acct@biz.uwa.edu.au
CONTACT DETAILS

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong> John Watson</td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:john.watson@uwa.edu.au">john.watson@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong> (08) 6488 2876</td>
</tr>
<tr>
<td><strong>Consultation hours:</strong> TBA</td>
</tr>
<tr>
<td><strong>Lecture times:</strong> Friday 8am – 10am</td>
</tr>
<tr>
<td><strong>Lecture venue:</strong> Wesfarmers Lecture Theatre</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tutor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong> Mathew Goh</td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:matthew.goh@uwa.edu.au">matthew.goh@uwa.edu.au</a></td>
</tr>
</tbody>
</table>

TEACHING AND LEARNING RESPONSIBILITIES

Charter of Student Rights and Responsibilities

This Charter of Student Rights and Responsibilities upholds the fundamental rights of students who undertake their education at the University of Western Australia.

It recognises that excellence in teaching and learning requires students to be active participants in their educational experience. It upholds the ethos that in addition to the University's role of awarding formal academic qualifications to students, the University must strive to instil in all students independent scholarly learning, critical judgement, academic integrity and ethical sensitivity.

Please refer to the guild website the full charter of student rights, located at http://www.secretariat.uwa.edu.au/home/policies/charter

ASSESSMENT MECHANISM

Method of Assessment

The method of assessment for Financial Statement Analysis is based on the following:

(i) Group Case Study 20%
(ii) Tutorial Grade 10%
(iii) Final Exam 70%

100%

Information on the group case study will be distributed later in the course (approximately week 7).
Information on the format of the final examination will be given in the last lecture. No material, other than a non-programmable calculator (as specified by the Faculty) and writing implements, will be permitted into the exam.

**Tutorials/Workshops**

Tutorials/workshops will commence in the second week of semester. Questions for the coming week will be made available by Friday afternoon (at the latest) on the Web. Solutions will also be available on the Web at the end of each week. Attendance at tutorials/workshops is compulsory. At the commencement of each tutorial/workshop you will have to submit a copy of your attempt at the questions set for that week (you will need a second copy to refer to during the tutorial). Your tutorial attempt will be given a grade of either: 0, 1/2, or 1. These marks will be added (to a maximum of 10) to give your tutorial/workshop grade. In grading your attempt at the set questions, we will be concerned with the effort you have made rather than whether your answer is correct or incorrect (in many instances there is no right answer). You will need to attend at least 10 tutorials/workshops (and hand in your work) to be in a position to gain the maximum 10%.

You will need to register for a tutorial/workshop via the online registration system. http://www.olcr.uwa.edu.au

**Standard of Assessment**

The Business School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia’s grading system:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD (Higher distinction)</td>
<td>The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the unit. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.</td>
<td>80-100%</td>
</tr>
<tr>
<td>D (Distinction)</td>
<td>The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the unit and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.</td>
<td>70-79%</td>
</tr>
<tr>
<td>CR (Credit pass)</td>
<td>The student demonstrates an understanding of the analytic framework developed in the unit and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions. The student is able to draw upon an adequate range of references and other materials.</td>
<td>60-69%</td>
</tr>
<tr>
<td>P (Pass)</td>
<td>The student generally takes a descriptive rather than analytic approach to the subject.</td>
<td>50-59%</td>
</tr>
<tr>
<td>N+ (Fail)</td>
<td>45-49%</td>
<td></td>
</tr>
<tr>
<td>N (Fail)</td>
<td>0-44%</td>
<td></td>
</tr>
</tbody>
</table>

The School awards marks leading to these grades by using the following general criteria which are presented here as a clear indication of the School’s expectations. These general criteria may be supplemented by specific standards with regard to a particular assignment.
The student is able to demonstrate some understanding of the issues involved but does not demonstrate the ability to apply the analytic framework which had been developed in the unit. Draws primarily upon unit materials for referencing.

N+ The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in the unit, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.

N The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to unit framework and shows not effort to identify or address critical aspects of the topic.

The scaling of marks to ensure comparability between classes is an acceptable academic practice. The School and Board of Examiners have the right to scale marks where it is considered necessary to maintain consistency and fairness.

Supplementary Assessment

Supplementary Assessment is not offered by the Business School, however, students who achieve a grade between 45-49 in the last unit for their undergraduate degree taken in the last semester of study, will be eligible for a supplementary assessment.

Ethical Scholarship, Academic Literacy and Academic Misconduct

Ethical scholarship is the pursuit of scholarly enquiry marked by honesty and integrity.

Academic Literacy is the capacity to undertake study and research, and to communicate findings and knowledge, in a manner appropriate to the particular disciplinary conventions and scholarly standards expected at university level.

Academic misconduct is any activity or practice engaged in by a student that breaches explicit guidelines relating to the production of work for assessment, in a manner that compromises or defeats the purpose of that assessment. Students must not engage in academic misconduct. Any such activity undermines an ethos of ethical scholarship. Academic misconduct includes, but is not limited to cheating, or attempting to cheat, through:

- Collusion
- Inappropriate collaboration
- Plagiarism
- Misrepresenting or fabricating data or results or other assessable work
- Inappropriate electronic data sourcing/collection
- Breaching rules specified for the conduct of examinations in a way that may compromise or defeat the purposes of assessment.

Penalties for academic misconduct vary according to seriousness of the case, and may include the requirement to do further work or repeat work; deduction of marks; the award of zero marks for the assessment; failure of one or more units; suspension from a course of study; exclusion from the University, non-conferral of a degree, diploma or other award to which the student would otherwise have been entitled. Refer to the Ethical Scholarship, Academic Literacy and Academic Misconduct located on the University’s website at http://www.teachingandlearning.uwa.edu.au/tl4/for_uwa_staff/policies/student_related_policies/academic_conduct
Academic Conduct Essentials (ACE)

From Semester 1, 2008 all newly enrolled students are required to complete a short compulsory online unit called *Academic Conduct Essentials* (ACE) within the first 10 weeks of semester. ACE introduces students to essential knowledge regarding ethical scholarship, it helps prepare them for the expectations they will need to meet during their university career and it informs them of correct academic conduct.

ACE can be accessed via WebCT ([http://webct6.uwa.edu.au](http://webct6.uwa.edu.au)). In order to pass the unit, the unit quiz must be completed with a mark of 80% or greater. To gain the required pass mark students may attempt the quiz as many times as they wish. Completion of the unit will be recorded as an Ungraded Pass (UP) on the student’s academic record. Non-completion (NC) within the required timeframe will also be documented on formal academic records (ie, in either case the grade will appear on transcripts). More information on ACE is available at [http://ace.uwa.edu.au](http://ace.uwa.edu.au)

Acknowledging Sources of Information

In the course of your individual and team work assignments, you will encounter ideas from many sources. These will include journal and newspaper articles, commentaries, books, web sites and other electronic sources, original case sources, lecture materials. All assignments that you submit must acknowledge all the different sources you have used. Not to acknowledge your sources is plagiarism, a form of dishonesty. Plagiarism is the misappropriation of the work or ideas of others and presenting them as your own. This is reprehensible from both an ethical and legal viewpoint. Neither the School nor the University accepts ignorance or the fact that a student’s previous acts of plagiarism had been undetected as a defence.

In order to avoid engaging in plagiarism it is your responsibility to acknowledge all of your sources in any work submitted for assessment and it is essential that you reference the work of others correctly. Where you quote directly from a source, you must ensure that any direct quotations are placed in quotation marks and are fully referenced. Even when you do not quote directly and are just referring to or expanding on the work of others, you must still acknowledge the sources of your information and ideas. Close paraphrasing in which you change a few phrases around, leave a clause out of a long sentence or put the original sentences in a different order is still plagiarism. To mark words as a quotation the entire text that has been copied should be enclosed within the quotation marks. If the copied text is four or more lines in length, it may be more appropriate to set it as a separate and indented paragraph. Each time that text is copied, the source must be acknowledged with a reference citation, including the page number.

If you have any doubts concerning appropriate referencing formats or how to acknowledge the work of others correctly, you should seek the advice of your lecturer.

The Faculty of Economics and Commerce has the following regulation on Plagiarism:

“The Faculty will promote the highest levels of probity and honesty amongst students and will provide instruction on ethical conduct. By submitting assignments and other work for assessment, students acknowledge Faculty’s duty to guard against plagiarism, including by electronic means such as Turnitin or Mydropbox. A lecturer may require students submitting written or electronic work to sign a Plagiarism Declaration Form indicating that the work is original.”

Business IRIS (Introductory Research and Information Skills)

Business IRIS is an online, self paced unit that provides an introduction to the skills needed to find and use information effectively and efficiently when studying in Business. Topics covered include how to locate and use library resources, the search process and search strategies, how and why to reference work, and evaluating online sources.
Business IRIS is a WebCT unit containing 8 modules, the final one being a self-test module. It is recommended that you work through the modules in the order they are presented and finish with the Test Yourself quiz and survey. Multiple attempts at the quiz are allowed.

**Appeals against Academic Assessment**

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded. The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal. It is recommended that students contact the Guild Education Officers to aid them in the appeals process.

There is a 20 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found at [http://www.secretariat.uwa.edu.au/home/policies/appeals](http://www.secretariat.uwa.edu.au/home/policies/appeals)

### TEXTBOOK(S) & RESOURCES

**Unit Website**

The unit web page for this course is hosted on WebCT, which can be accessed from the following address:


Copies of all course handouts can be obtained via this site.

**Recommended/required text(s)**

The following textbook will be used in this course:

Palepu, K. G. and P. M. Healy, *Business Analysis and Valuation: Using Financial Statements (Text and Cases)*, Thomson Learning, 4th Ed., 2008. This text will be heavily used and will provide students with a useful reference source long after they complete their studies. Most of the weekly tutorial questions will come from this text.

Multiple copies of the textbook will be placed in the closed reserve section of the business library.

**Approved Calculators for Examinations**

The University only permits the use of calculators in examinations when the calculator has an approved sticker. If the student does not have an approved sticker on their calculator, they will not be permitted to use the calculator. Since this is a University wide policy it is not possible for unit coordinators to grant on the spot exemptions. Calculators can be approved at the Business School Student Centre between 9.00am – 4.30pm Monday to Friday. Further information is available on the Business School web site, see [http://www.business.uwa.edu.au/studentnet/assessments](http://www.business.uwa.edu.au/studentnet/assessments).

**Method of Instruction**

The method of instruction for Financial Statement Analysis is as follows:

(i) 1 x 2-hour lecture per week:

   Friday 8:00 - 9:45 in Wesfarmers Lecture Theatre

(ii) 1 x 1-hour tutorial/workshop per week:
# UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug 5</td>
<td>Introduction</td>
<td>Pal: Ch1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A framework for analysis and valuation</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Aug 12</td>
<td>Strategy analysis</td>
<td>Pal: Ch2</td>
</tr>
<tr>
<td>3</td>
<td>Aug 19</td>
<td>Overview of accounting analysis</td>
<td>Pal: Ch3</td>
</tr>
<tr>
<td>4</td>
<td>Aug 26</td>
<td>Implementing accounting analysis</td>
<td>Pal: Ch4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assets, liability &amp; equity analysis</td>
<td>Pal: Ch4</td>
</tr>
<tr>
<td>5</td>
<td>Sep 2</td>
<td>Revenue &amp; expense analysis</td>
<td>Pal: Ch4</td>
</tr>
<tr>
<td>6</td>
<td>Sep 9</td>
<td>Financial analysis (ratios)</td>
<td>Pal: Ch5</td>
</tr>
<tr>
<td>7</td>
<td>Sep 16</td>
<td>Forecasting financial information</td>
<td>Pal: Ch6</td>
</tr>
<tr>
<td>8</td>
<td>Sep 23</td>
<td>Valuation theory and concepts</td>
<td>Pal: Ch7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EPS</td>
<td>AASB133</td>
</tr>
<tr>
<td>9</td>
<td>Oct 7</td>
<td>Valuation implementation</td>
<td>Pal: Ch8</td>
</tr>
<tr>
<td>10</td>
<td>Oct 14</td>
<td>Entity analysis</td>
<td>AASB8</td>
</tr>
<tr>
<td>11</td>
<td>Oct 21</td>
<td>Mergers &amp; Acquisitions</td>
<td>Pal: Chp11</td>
</tr>
<tr>
<td>12</td>
<td>Oct 28</td>
<td>Empirical research in accounting</td>
<td>Handout</td>
</tr>
<tr>
<td>13</td>
<td>Nov 4</td>
<td>Revision</td>
<td></td>
</tr>
</tbody>
</table>


---

**Student Guild**

Phone: (+61 8) 6488 2295  
Facsimile: (+61 8) 6488 1041  
E-mail: enquiries@guild.uwa.edu.au  
Website: http://www.guild.uwa.edu.au
Charter of Student Rights and Responsibilities


Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer http://www.secretariat.uwa.edu.au/home/policies/appeals).