



# AFIN613

## Financial Statement Analysis and Modelling

S1 Day 2018

*Archive (Pre-2019) - Dept of Applied Finance and Actuarial Studies*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit Convenor / Lecturer

Les Gordon

[les.gordon@mq.edu.au](mailto:les.gordon@mq.edu.au)

Contact via Email

Refer to iLearn

Lecturer

Ian Kwan

[ian.kwan@mq.edu.au](mailto:ian.kwan@mq.edu.au)

Please refer to iLearn

Credit points

4

Prerequisites

Admission to MBkgFin or MCom

Corequisites

Co-badged status

Unit description

This unit equips students with financial analysis skills to support advanced study in corporate finance and investment analysis. Emphasis is placed on being able to interpret financial statements in the context of a company's operational performance and strategy, to assess historical financial performance and to prepare a spreadsheet based financial model capable of forecasting integrated financial statements for a company. After this unit, students should understand the language of financial statements, and be able to use an Annual Report to develop an understanding of a company's historical performance and prospects. Specific topics include the Income Statement, Balance Sheet, Cash Flow Statement and financial statement analysis using Dupont methodology. Financial modelling applications will also be developed, so students will be able to prepare forecasts for the three financial statements, as well as being able to integrate the three statements.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Explain the main components of and the linkages between the three major financial statements.

Critically assess a company's historical financial performance using financial ratios and other analysis tools.

Apply financial analysis skills to develop financial projections for a project or business.

Construct spreadsheet based integrated financial models.

Demonstrate proficiency in using spreadsheet based financial modelling to solve a range of finance based problems.

## General Assessment Information

It is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Short Exercises</a>	20%	No	In iLearn
<a href="#">Quizzes</a>	20%	No	In iLearn
<a href="#">Assignment</a>	30%	No	In iLearn
<a href="#">Final Examination</a>	30%	No	Exam week

### Short Exercises

Due: **In iLearn**

Weighting: **20%**

#### Summary of Assessment Task

**Individual / Group:** Individual

**Due Dates:** See assessment summary in iLearn for due dates.

**Timing:** Short exercises will be conducted during the term. Refer to the assessment summary in iLearn. Please use the first three exercises as an indicator of whether you are progressing

satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date on Friday of week 4

**Grading Method:** See assessment summary in iLearn.

**Submission Method:** Online via the Unit's iLearn site.

**Extension Requests:**

- No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application under Special Consideration Policy is made and approved.

On successful completion you will be able to:

- Explain the main components of and the linkages between the three major financial statements.
- Critically assess a company's historical financial performance using financial ratios and other analysis tools.
- Apply financial analysis skills to develop financial projections for a project or business.
- Construct spreadsheet based integrated financial models.
- Demonstrate proficiency in using spreadsheet based financial modelling to solve a range of finance based problems.

## Quizzes

Due: **In iLearn**

Weighting: **20%**

**Summary of Assessment Task**

**Individual / Group:** Individual

**Due Dates:** See assessment summary in iLearn for due dates

**Timing:** Two online quizzes will be conducted during the term.

**Submission Method:** Online via iLearn.

**Quiz Conditions:** Open book.

**Extension Requests:**

- No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application under Special Consideration Policy is made and approved.

On successful completion you will be able to:

- Explain the main components of and the linkages between the three major financial statements.
- Critically assess a company's historical financial performance using financial ratios and other analysis tools.
- Apply financial analysis skills to develop financial projections for a project or business.

## Assignment

Due: **In iLearn**

Weighting: **30%**

### **Summary of Assessment Task**

**Individual / Group:** Individual

**Due Dates:** See iLearn for the due date.

**Submission Method:** Via iLearn.

### **Extension Requests:**

No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application under Special Consideration Policy is made and approved. No submission will be accepted after solutions have been posted.

On successful completion you will be able to:

- Explain the main components of and the linkages between the three major financial statements.
- Critically assess a company's historical financial performance using financial ratios and other analysis tools.
- Apply financial analysis skills to develop financial projections for a project or business.
- Construct spreadsheet based integrated financial models.
- Demonstrate proficiency in using spreadsheet based financial modelling to solve a range of finance based problems.

## Final Examination

Due: **Exam week**

Weighting: **30%**

### **Summary of Assessment Task**

**Individual / Group:** Individual

**Due Date:** The final exam will be held in the University Final Exam Period.

**Submission Method:** The final exam will be an open book exam (with restrictions), held on campus and invigilated.

**Duration:** 2 hours

**Extension Requests:**

- Deferral of an examination is not permitted, unless special consideration has been approved by the Director of Studies under the University's Special Consideration Policy.

On successful completion you will be able to:

- Explain the main components of and the linkages between the three major financial statements.
- Critically assess a company's historical financial performance using financial ratios and other analysis tools.
- Apply financial analysis skills to develop financial projections for a project or business.

## Delivery and Resources

### REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

**Required Text:**

*Financial Statements Demystified* by Kramer and Johnson 209 McGraw-Hill.

This textbook is available as either a print book or eBook. Details of the two versions are shown below:

- Print book: *Financial Statements Demystified*, ISBN 9780071543873, available at <http://www.mhprofessional.com/product.php?isbn=0071543880>
- eBook: *Financial Statements Demystified*, ISBN: 9781308469089, available at <https://create.mheducation.com/shop/#/catalog/details/?isbn=9781308469089>

**Additional Readings:**

- Additional readings are included in iLearn
- Students should assume these readings are examinable unless otherwise advised.

**Assumed Knowledge:** Mathematical content

- Finance has a high level of numerate content. Consequently this unit is, in parts, mathematical and arithmetical. As an indication of the level of algebra required, students should find the following problem easy to solve:

Solve for  $Z_5$ :  $\$1,000 =$

$$\$681.20(1+Z_5/2)^{10}$$

**Assumed Access:** Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy. A recent version of Excel is the preferred choice spreadsheet.

## **TECHNOLOGY USED AND REQUIRED**

This unit will make use of the University's iLearn system.

### **Unit's iLearn Site:**

- Found by logging on to iLearn [ilearn.mq.edu.au](http://ilearn.mq.edu.au), then clicking on **Financial Statement Analysis and Modelling**.
- This is where you will find forums, downloadable resources and links to important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions on the forums at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**

### **Important Notice:**

- It is important that you familiarize yourself with the Unit's iLearn site.
- All students should check iLearn regularly and look for updates and distribution of materials related to the unit or assessments and participate in forum discussions.

**Assumed access to technology:** Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy. A recent version of Excel is the preferred choice spreadsheet.

## **Unit Schedule**

The following schedule is a guide to the timing of each topic. Details of the required readings are provided in iLearn.

Week	Topic
1	Topic 1: Introduction to financial statement analysis
2	Topic 2: Introduction to modelling

3	Topic 3: Preparing financial statements
4	Topic 4: A closer look at the balance sheet
5	Topic 5: Preparing a financial model Part 1
6	Topic 6: Preparing a financial model Part 2
7	Topic 7: Revisit the Plan and the Plug
8	Topic 8: Modelling a Bank
9	Topic 9: Analysis of financial statements Part 1
10	Topic 10: Analysis of financial statements Part 2
11	Topic 11: Preparing a financial model Part 3
12	Topic 12: Advanced Excel functions and tools
13	Revision/Exam preparation

## Learning and Teaching Activities

### Strategy

Programs adopt a deep teaching and learning strategy in which students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The program relies heavily on student engagement and participation by: (a) Continuous learning throughout the term. This is encouraged through a combination of students undertaking prescribed reading throughout the units and / or completion of practice problems, online activities, case studies, assignments, class discussions, etc and interaction via forums; and (b) Assessments, which enable the student to demonstrate his / her understanding of the learning objectives achieved through the continuous learning.

### Student Participation

This is a face-to-face unit. Students participate in this unit by: (a) Actively engaging with the required readings of this unit; (b) Working systematically through exercises and completing on-line activities; (c) Interacting in forums; (d) attending and interacting at face-to-face sessions and (e) Completing all assessment tasks and exams.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)



- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/student-conduct>

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).

## Supplementary Examination

Further information regarding supplementary exams, including dates, is available here

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/disruption\\_to\\_studies](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)

- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Learning Skills

Learning Skills ([http://www.students.mq.edu.au/support/learning\\_skills/](http://www.students.mq.edu.au/support/learning_skills/)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

### Learning outcomes

- Explain the main components of and the linkages between the three major financial statements.
- Apply financial analysis skills to develop financial projections for a project or business.
- Construct spreadsheet based integrated financial models.

- Demonstrate proficiency in using spreadsheet based financial modelling to solve a range of finance based problems.

## **Assessment tasks**

- Short Exercises
- Quizzes
- Assignment
- Final Examination

## **Critical, Analytical and Integrative Thinking**

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

### **Learning outcomes**

- Critically assess a company's historical financial performance using financial ratios and other analysis tools.
- Apply financial analysis skills to develop financial projections for a project or business.
- Construct spreadsheet based integrated financial models.

## **Assessment tasks**

- Short Exercises
- Quizzes
- Assignment
- Final Examination

## **Problem Solving and Research Capability**

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

### **Learning outcomes**

- Critically assess a company's historical financial performance using financial ratios and other analysis tools.

- Apply financial analysis skills to develop financial projections for a project or business.

## **Assessment task**

- Assignment

## **Important Notice**

This unit guide contains important information about the Unit. If anything is unclear, please consult one of the unit lecturers.

## **Changes since First Published**

<b>Date</b>	<b>Description</b>
14/02/2018	Update teaching staff details.