



BFA582 Financial Reporting & Analysis

Semester Two 2007

(Part-Time)

School of Accounting and Corporate Governance

Faculty of Business

Unit Outline

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Unit Description

Welcome to Financial Reporting and Analysis. We hope that you find this unit both challenging and rewarding. The unit aims to develop your ability to interpret and use financial information both as an investor and as a manager. It is concerned with developing your understanding of accounting concepts, issues and problems rather than with educating you to undertake the role of a professional accountant.

There is no expectation that you will be able to actually design and maintain accounting systems after completing the unit - this is the task of the professional accountant. However, as a manager it is important that you be able to communicate intelligently with accountants and investment advisers and feel confident in using financial information and terminology in organisational management. In other words you should become financially 'literate'. We do not assume that you have any previous knowledge of accounting.

Learning Outcomes

After completing this unit, you should be able to:

1. Explain the legal and organisational setting in which financial information is prepared and used.
2. Describe the principles and concepts underpinning the preparation of financial statements and be able to prepare a simple set of financial reports.
3. Demonstrate verbally and in writing your understanding of the language of accounting.
4. Explain the inherent limitations of information contained in financial reports.
5. Analyse and interpret information contained in financial reports.
6. Use financial information and financial models to make decisions about the efficient and effective allocation of economic resources within an organisation.
7. Specify the role of management accounting in decision-making.
8. Describe the contemporary issues of ethics and social responsibility in accounting.

Generic Graduate Attributes

The University has defined a set of generic graduate attributes (GGAs) that can be expected of all graduates (see <http://www.utas.edu.au/tl/policies/index.htm>). By undertaking this unit you will progress in attaining the following attributes:

Knowledge

To prepare you for life-long learning in pursuit of personal and professional development; this includes the ability to:

- identify, evaluate and implement personal learning strategies;

- learn both independently and cooperatively; and
- discuss and apply a range of underlying concepts and principles relevant to the practice of accounting.

Communication Skills

You should be prepared so as to communicate effectively across a range of contexts. This skill includes being able to:

- effectively communicate using a range of mediums including oral, written and numerical communication;
- present well reasoned arguments in a logical and coherent manner, consistent with, and appropriate for the context of accounting;
- listen to and evaluate the views of others; and
- access and organise information from a variety of media.

Problem Solving Skills

You should become effective problem solvers, capable of applying logical, critical and creative thinking to a range of problems. This skill includes being able to:

- demonstrate an understanding of the conceptual basis of financial accounting and corporate reporting;
- prepare and analyse general purpose financial reports for companies in accordance with legal and professional requirements;
- apply accounting concepts to controversial accounting issues and emerging issues ; and
- find, acquire, evaluate, manage and use relevant information in a range of contexts.

Global Perspective

You should acquire and demonstrate a global perspective and intercultural competence. This involves being able to:

- demonstrate an awareness of the local and global context of financial accounting and corporate reporting.

Social Responsibility

You will act ethically, with integrity and social responsibility. This involves:

- acknowledging the social and ethical implications of corporate accounting and reporting, and the importance of ethics to the accounting profession.

Learning resources required

Prescribed Text

Bazley, M. and Hancock, P. (2006). **Contemporary Accounting**. (6th edition.). South Melbourne: Thomson.

In addition, you should obtain a recent copy of an Australian company's annual report to shareholders (the full version, not the "concise" report). The report should be of a company that sells inventory. Do not get the report of a financial or banking institution or of a mining company.

Recommended Reading

The publications listed below are highly recommended for further reading on the topics covered in the unit.

Books

Atrill, P., McLaney, E., Harvey, D & Jenner, M. 2005, 3rd edition. **Accounting: An introduction**. Sydney: Pearson Education Australia Pty Ltd.

Bruns, W. J. 1999. **Accounting for Managers: Text and Cases**. 2nd edition, Boston: South-Western College Publishing.

Cooper, B., Leung, P., Mathews, C. & Carlson, P. 1997. **Accounting and Finance for Managers**. Brisbane: John Wiley & Sons.

Godfrey, J.M. & Robb, A.J. 1997. **The Australian Dictionary of Accounting and Finance Terms**, 3rd edition. Melbourne: Longman.

Kenley, W.J. 1989. **Using Financial Statements**. Sydney: CCH Australia Ltd.

Kimmel, P. D., Carlon, S., Loftus, J., Mladenovic, R., Kieso, D.E. & Weygandt, J. J. 2003. **Accounting: Building Business Skills**. Milton: John Wiley & Sons Australia Ltd.

Meredith, G. & Williams, B. 1999. **Managing Finance: Essential Skills for Managers**. Sydney: McGraw-Hill Companies Inc.

Newman, R.L. 1994. **Accounting Concepts for Managers**. Melbourne: Longman.

Pierson, G. & Ramsay, A. 2003. **Financial Accounting - An introduction**. 3rd edition. Melbourne: Longman.

Porter, G. & Norton, C. 1996. **Financial Accounting: The Impact on Decision Makers**. (alternate). Fort Worth: The Dryden Press

Journals and Periodicals

Apart from books, you will find it valuable to get into the practice of reading relevant articles from journals and periodicals (including newspapers and magazines). Note that not all periodicals and journals are available from University of Tasmania libraries. You may need to obtain some via inter-library loans.

Other References

At the end of most topics in your text, you will find a reference list. The reference list gives full bibliographical detail for all references cited. The reference lists themselves should not be regarded as lists of required additional reading. However, you may wish to supplement your reading with any of the entries from these lists or from the list of further readings supplied in some topics.

Details of teaching arrangements

Saturday Workshops

There will be seven three-hour workshops scheduled on Saturdays. These workshops are a compacted style of teaching the conventional weekly lecture/tutorial, with face-to-face contact between students and lecturers usually occurring every two weeks. It is essential that you complete the required reading and study tasks from the unit outline (and/or accompanying unit materials) before the workshop. In this manner, you will be able to keep up with the study schedule and will be prepared to discuss the material during the workshops.

Workshop Outline

Workshop 1 (Hobart)—21 July 2007

Introduction to the Accounting Environment

Workshop 2 (Hobart)—4 August 2007

Understanding Financial Statements

Workshop 3 (Hobart)—25 August 2007

Financial Analysis

Workshop 4 (Hobart)—8 September 2007

Financing Business Operations

Workshop 5 (Hobart)—22 September 2007

Inventories, Work in Progress
Accrual Accounting

Workshop 6 (Hobart)—6 October 2007

Cost Concepts
Decision Making
Budgetary Control

Workshop 7 (Hobart)—20 October 2007

Performance Management,
Corporate Governance

Unit Schedule

Semester 2, 2007

| Workshop | Topic | Reading | Workshop Questions* |
|----------|---|-----------------------------------|--|
| 1 | Topic 1: Introducing the Accounting Environment | Bazley et al Ch. 1, 2, 3 | Ch. 1: 2,5,7,8 Ch. 2: 1,5,11 Ch. 3: 6,7,12,13 |
| 2 | Topic 2: Understanding Financial Statements | Bazley et al Ch. 4, 5, 6 | Ch. 4: 5,9,17 Ch. 5: 17,18 Ch. 6: 3 |
| 3 | Topic 3: Financial Analysis | Bazley et al Ch.12, 14 | Ch. 12: 16,18 Ch. 14: 1,2,14,15 |
| 4 | Topic 4: Financing Business Operations | Bazley et al Ch. 10, 15, 16 | Ch.10: 9,10,11 Ch.15: 10 Ch.16: 13,14 |
| 5 | Topic 5: Inventory & WIP Accrual Accounting | Bazley et al Ch. 7, 8, 9 | Ch. 7: 19,20 Ch. 8: 15,16 Ch. 9: 14,15 |
| 6 | Topic 6: Cost Concepts Decision Making Budgetary Control | Bazley et al Ch. 17, 18, 19,20 | Ch. 17: 12,13 Ch. 18: 14,15 Ch. 19: 1 Ch.20:14,15 |
| 7 | Topic 7: Performance Management, Corporate Governance | Bazley et al Ch. 21,13 | |

* It is expected that you will complete the Workshop questions for the next scheduled session. These questions will be reviewed before we commence the new topics for that week.

Assessment details

In order to pass this unit you must achieve an overall mark of at least 50 per cent of the total available marks. Details of each item of Coursework are provided in the Assignment Topics section.

| Method of Assessment | Value | Due Date | Length* |
|---|-------|-----------------------|--------------------|
| Coursework Assessment task 1 – Financial Report preparation Assessment task 2 – Case Study Assessment task 3 – Analysis and interpretation | 10 % | Saturday 25 August | As required |
| | 10 % | Saturday 22 September | 1200 maximum words |
| | 20 % | Saturday 20 October | 2000 maximum words |
| Examination | 60% | Exam Period | 3 hours |
| Total Marks | 100 | | |

* **Word Limit:** The word count includes such items as headings, in-text references, quotes and executive summaries. It **does not** include tables, appendices or the reference list at the end of the assignment.

Assessment tasks

Please note that you must submit assessments individually, not as a group. This is not to say that you can't discuss the assignments with your peers, indeed you are encouraged to do this, but the submitted assignment needs to be your own work. For further details please refer to section below titled "Plagiarism".

Assessment Task 1 – 10%

Task description

Completion of a number of basic accounting questions introducing the idea of a worksheet and the use of a worksheet

Complete the following tasks from your textbook:

- Q 20 p.121-122 (use a worksheet for transactions)
- Q 6 p.182-183
- Q 7 p.183-184

| | |
|--|--|
| Task length | As appropriate (show all workings and calculations) |
| Links to unit's learning outcomes | Learning outcomes 2 & 3 |
| Assessment criteria | Each question will be assessed for the accuracy of information presented. This is both numerical accuracy and understanding of accounting rules. |
| Date due | <i>Saturday 25 August 2007</i> |

Assessment Task 2 – 10%

| | |
|--|---|
| Task description | Complete the following tasks from your textbook: Ethical Case Study: • p.474-475 Where necessary, justify your arguments by referring to the Accountants' Code of Professional Conduct. |
| Task length | Approx. 1200 words |
| Links to unit's learning outcomes | Learning outcomes 1-4 inclusive |
| Assessment criteria | Assessment will be based on both your value structure and the requirements identified in the code of professional conduct |
| Date due | <i>Saturday 22 September 2007</i> |

Assessment Task 3 - 20%

| | |
|-------------------------|---|
| Task Description | <p>A financial analysis of an Australia listed company.</p> <p>A major investor has asked you to perform a financial analysis of a listed company of your choice. The analysis is to be based on the company's Annual Report for 2006.</p> <p>Due to a range of other attractive investment opportunities available, the shareholder is anxious to receive an opinion on the financial prospects of the company and its subsidiaries.</p> <p>Your <i>formal</i> report to the potential investor should include a section commenting on the accounting policies adopted and what impact any alternatives to these policies would have on financial ratio levels and on your assessment of the financial prospects of the group.</p> <p>In order to answer Assignment 3 you will need to have a thorough understanding of Topic 3 (together with the related readings). Most of the recommended texts contain chapters on ratio analysis and you should consult a couple of these as well. You will find most listed Australian companies have web sites</p> |
|-------------------------|---|

that are useful to research the company's background, current financial status and future prospects. Below is a suggested contents page that you may find helpful in structuring your report.

Contents

Part I Overview

- Introduction and Terms of Reference
- Basis of Analysis
- Sources of Information

Part II Financial Analysis

- History and Nature of Business
- Evaluation of Accounting Policies
- Summary of Key Financial Data
- Trends in Profit and Cash Flows
- Ratio Analysis
- Profitability
- Management Efficiency
- Liquidity
- Capital Structure
- Industry Comparison (if applicable)
- Prospects (Trends and Predictions)

Part III Other Considerations

- Non-Financial Influences/Considerations (Political, Economic, Managerial)

Part IV Conclusions

- Conclusions/Recommendations
- Limitations to Analysis
- Disclaimers

Appendices

- A summary of the key figures in the financial statements on which ratios were based (up to 2 pages)
- Explanation of Terms/Ratios

When you submit your report you should include a copy of the annual report of the company with the assignment. If possible this should be a printed copy of the electronic version of at least the financial statements and notes (preferably the whole report).

| | |
|--|---|
| Task length | 2000 words |
| Links to unit's learning outcomes | Learning outcomes 1, 3, 4, 5 and 6 |
| Assessment criteria | Whether the ratio calculations are based on the appropriate figures, are clearly set out, and are arithmetically correct The quality of your comments (for example, are they relevant, show understanding of the topic, clear and of sufficient depth) Style and presentation of your formal report |
| Date due | <i>Saturday 20 October 2007</i> |

Final Exam – 60%

Description/conditions

Closed book examination – 3 hours duration

The exam will enable you to demonstrate breadth and depth of understanding across all the unit material. All topics are examinable.

An information sheet with details about the examination will be given to you in the last lecture of the semester.

Date

The final examination is conducted by the University Registrar in the formal examination period. See the Current Students homepage (Examinations and Results) on the University's website.

Format

The final examination will be of three (3) hours duration, preceded by 15 minutes reading time. The exam will contribute to 60% of the overall assessment of the unit. Non-programmable calculators are permitted into the examination room. The best preparation for the exam is consistent work throughout the semester.

Assessment/Learning Outcomes/Graduate Attributes Matrix

| | | | | | |
|--|------------------------------------|---|---|---|---|
| Assessment task: 1 | Assignment 1 (financial reports) | | | | |
| Assessment task: 2 | Assignment 2 (ethics case studies) | | | | |
| Assessment task: 3 | Financial report analysis | | | | |
| Final Examination: | 3 hour - closed book | | | | |
| Learning Outcomes: | | | | | |
| | Learning outcome 1 | √ | | √ | |
| | Learning outcome 2 | √ | | √ | √ |
| | Learning outcome 3 | √ | √ | √ | √ |
| | Learning outcome 4 | √ | | √ | |
| | Learning outcome 5 | | √ | | |
| | Learning outcome 6 | √ | | | |
| | Learning outcome 7 | √ | | | |
| | Learning outcome 8 | √ | | | |
| UTas Generic Graduate Attributes: | | | | | |
| | Knowledge | √ | √ | √ | √ |
| | Communication skills | √ | √ | √ | √ |
| | Problem-solving skills | √ | √ | √ | √ |
| | Global perspective | √ | | | |
| | Social responsibility | √ | | | |

Matrix adapted from Unit Outline, Faculty of Business, University of the Sunshine Coast 2003

Scheduled date and place of the examination

Your final examination for this unit will be held during the scheduled examination period as indicated by Student Administration in correspondence to you.

Examinations will normally be scheduled Monday to Saturday inclusive. Examinations may be held during the day or evening and students should consult the university information that will be made available towards the end of semester.

You are advised to make any necessary arrangements with employers now for time off during examination period to sit this examination. Your participation at the scheduled time is not negotiable unless there are exceptional circumstances.

Note that you will be expected to sit the examination at your recorded study centre.

Supplementary Examination

Except in special circumstances and on the recommendation of the lecturer-in-charge or the Head of School, a student who fails will not be granted a supplementary examination.

How your final result is determined

Your final result is determined by aggregating the assessment as detailed above. You must attempt every piece of assessment and gain an overall mark of 50% in order to pass the unit.

Submission of assignments

Lodging assignments

All Coursework must have the School of Accounting and Corporate Governance Assignment Cover Sheet attached.

Please remember that you are responsible for lodging your Assignments on or before the due date. You are required to keep a copy. Even in the most 'perfect' of systems, items sometimes go astray.

Hobart students: Lodge in assignment box, Level 5, Commerce Building, Hobart Campus.

Penalties

Over-length Work

Where word limits have been specified, students should take care not to exceed this word limit. Over word limit papers will be required to be resubmitted within 48 hours. An automatic 10% penalty of available marks will be applied and a further 10% penalty each day until the assignment is resubmitted.

Late Submission of Continuous Coursework

The penalty for late submission of assignments in this Unit is 10% of the available mark for each day the assignment is late.

Review of results and appeals

You may request a formal remark of your original submission (in accordance with Rule of Academic Assessment 2, Clause 22.1). Under the Rule of Academic Assessment 2, clause 23, you may also request a review of your final result in a unit. For further information see: <http://www.utas.edu.au/tl/supporting/assessment/policies.html>

Requests for Extensions

Extensions will only be granted on medical or compassionate grounds and will not be granted because of work or other commitments. Requests for extensions should be **made in writing** to the lecturer-in-charge prior to the due date. Medical certificates or other evidence must be attached and must contain information that justifies the extension sought.

Assignments submitted more than six days late will normally not be accepted by the lecturer-in-charge.

Academic referencing

In written work you need to support your ideas by referring to scholarly literature, works of art and/or inventions. It is important that you understand how to correctly refer to the work of others and maintain academic integrity. Failure to appropriately acknowledge the ideas of others constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence. The appropriate referencing style in units offered by the School of Accounting and Corporate Governance is the Harvard referencing method. The recommended text for this unit, Fleet, W., Summers J. & Smith, B. (2006) *Communication Skills Handbook for Accounting*, 2nd edition, provides detailed information about using the Harvard referencing system. Further information on presentation of assignments, including referencing styles is available at: <http://www.utas.edu.au/library/assist/gpoa/gpoa.html>

You can also access information about referencing style in the *Faculty of Business Guide for Students* available on the School's website - <http://www.utas.edu.au/accg/studentres.htm>

Plagiarism

Please read the following statement on plagiarism. Should you require clarification please see your unit coordinator or lecturer.

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation, copying another student's work.

If you have any doubts about how to refer to the work of others in your assignments, please consult your lecturer or tutor for relevant referencing guidelines, and the academic integrity resources on the web at <http://www.utas.edu.au/tl/supporting/academicintegrity/index.html>.

The intentional copying of someone else's work as one's own is a serious offence punishable by penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, to exclusion from a unit, a course or the University. Details of penalties that can be imposed are available in the Ordinance of Student Discipline – Part 3 Academic Misconduct, see <http://www.utas.edu.au/universitycouncil/legislation/>

The University reserves the right to submit assignments to plagiarism detection software, and might then retain a copy of the assignment on its database for the purpose of future plagiarism checking.

For further information on this statement and general referencing guidelines, see <http://www.utas.edu.au/plagiarism/> or follow the link under 'Policy, Procedures and Feedback' on the *Current Students* homepage.

Further information and assistance

If you are having difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you should raise these with your lecturer in the first instance.

There is a range of University-wide support services available to you including Student Services, International Services and Learning Development. Please refer to the *Current Students* homepage at: <http://www.utas.edu.au/students/>

Should you need help in accessing the Library visit their website for more information at <http://www.utas.edu.au/library/>

If your problem:

- is of an *administrative nature* (eg tutorial allocation), see the lecturer
- is of an *academic nature*, please ask questions during workshop and tutorial sessions. For individual assistance, you are encouraged to see your lecturer during his or her "consultation hours"
- or if you have any *concerns about this unit*, then in the first instance you should discuss the matter with your lecturer. However, if you don't feel comfortable approaching your lecturer, or if you have a discussion with your lecturer and are not satisfied with the outcome, then you are encouraged to contact one of the Ombudspersons, who also teach in the School of Accounting & Corporate Governance.

Mrs Simone Bingham
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Discussions with an ombudsperson will be kept in the strictest confidence. If you wish to pursue the matter further, they will advise you how to proceed. The University also has formal policies, which can be accessed at: http://www.admin.utas.edu.au/ac_serv/complaints_info.html

Students with Disabilities

Goal 1 of the University of Tasmania Equity Plan provides for: “An inclusive teaching and learning environment that values diversity, supports the pursuit of academic excellence and produces high quality education and employment results for all students and staff”. The Faculty of Business Equity Plan facilitates the University Plan at an operational level and has developed an ‘Action Plan’. The Action Plan for Goal 1 lays down procedures to ensure that all students, including those with disabilities, have equal access to lecture and course materials. The School of Accounting & Corporate Governance complies with these procedures.

Occupational health and safety (OH&S)

The University is committed to providing a safe and secure teaching and learning environment. In addition to specific requirements of this unit you should refer to the University’s policy at: http://www.admin.utas.edu.au/hr/ohs/pol_proc/ohs.pdf