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MODULE INFORMATION PACK

AC2407
Financial Analysis

Semester 1

Academic Year 2009-10

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LEVEL 2

A module of 20 credits

UNIVERSITY OF CENTRAL LANCASHIRE

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MODULE AIMS

The aim of the module is that participants should gain an understanding of the Business environment, identify and understand the various types of financial statements available , understand the various tools of financial and business analysis and interpretation, sources of funds for business development as well as learn techniques for investment appraisal and investment management.

LEARNING OUTCOMES

On successful completion of this module you will be able to:

1. Identify the various types of business organisations.
2. Understand the different roles of accounting and finance in an organisation and the different requirements of financial accounting, financial management and management accounting in a business organisation.
3. Identify and understand the various types of financial statements, their use and their analysis.
4. Appraise different business ventures with a view to maximise shareholder wealth.
5. Identify the various sources of funds available to a business
6. Understand the management accounting environment and the how it differs from the financial accounting environment by virtue of its working requirements and regulations.

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MODULE OUTLINE

1. Introduction to Accounting and Finance.
2. The Balance Sheet.
3. The Profit and Loss Account.
4. The Cash Flow Statement.
5. The distinction between profit and cash
6. Financial Statement Analysis – Ratio Analysis.
7. The concept of Groups and Group accounts.
8. Sources of finance and how finance is utilised.
9. Techniques of capital investment appraisal.
10. Management accounting techniques for planning, management control and decision making.
11. Cost classification and methods.
12. Budgets and budgetary control within an organisation.
13. Costing for decision making including marginal costing; cost/volume/profit analysis.

Item one is a general introduction to the business environment; items two to seven cover the scope of financial accounting; items eight and nine relates to financial management while items ten to thirteen relate to management accounting.

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MODULE ASSESSMENT

The Module will be assessed as follows:

Attendance at lectures: 10%

Coursework One: 60%

Coursework Two: 30%

Marks will be awarded based on the following guidelines:

1. Presentation of assignment and clarity of expression – Presentation should show a polished coherent structure. Thoughts and ideas should be clearly expressed in a fluent academic writing style.

2. Attention to the purpose of the assignment – The purpose of the assignment should be addressed comprehensively and imaginatively.
3. Critical analysis of literature, theory, methodology and data – The assignment should demonstrate an application of critical analysis and arguments should be well integrated.
4. Illustrations – This should show use of examples and evidence. Appropriate examples should be fully and reliably integrated and evaluated.
5. Conclusions – Should be analytical and clear, well grounded in theory and literature showing reflection upon key issues.

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COURSEWORK ONE:

Identify a company of your choice and gather all available information on the company from the beginning of the semester to the end then prepare a portfolio to analyse the company as an investment holding using all available techniques such as ratio analysis. Advise a client whether or not to invest in the company's stock.

COURSEWORK TWO:

Answer one of the two problems below:

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1. Discuss how financial ratios can be used to predict corporate failures using Multiple Discriminate Analysis (MDA). The discussion should use a case study of an existing UK based company. The write up is to include a detailed literature review. It is recommended to write at least 3,000 words.

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2. Discuss the tax advantage of the use of debt in the capital structure of a company and the impact it will have on the companies share price. Illustrate your analysis using the financials of an existing company. The write up is to include a detailed literature review. It is recommended to write at least 3,000 words.

ALL ASSIGNMENTS ARE DUE FOR SUBMISSION ON OR BEFORE THE LAST DAY OF LECTURE FOR THE MODULE. ANY ASSIGNMENT NOT YET SUBMITTED BY THE LAST DAY OF LECTURE FOR THE MODULE WILL HAVE TO FOLLOW THE LAID DOWN PROCEDURES OF THE UNIVERSITY

TIPS FOR COURSEWORK ONE

1. Identify a publicly quoted company on the London Stock Exchange.
2. Gather all publicly available information relating to the company such as financial statements (at least five complete sets), news articles, share price history etc.
3. Carry out a ratio analysis to test the five years financials. The analysis should cover all five categories of ratios (profitability, liquidity, gearing, efficiency and investment ratios).
4. Test for failure patterns using tests such as trend analysis, univariate analysis and/or multiple discriminate analysis.
5. Prepare a report to follow the pattern below:

SECTION A: Background information on the company.

SECTION B: A detailed discussion of the revelation of each ratio category.

SECTION C: A discussion of the analysis of the trend analysis, univariate analysis, and/or multiple discriminate analysis.

SECTION D: Summary of findings and conclusion stating clearly your independent view of the company with a recommendation to a client to invest in the company or not to invest giving reasons for each decision.

APPENDIX A: Ratio analysis calculation.

APPENDIX B: Trend analysis and/or Univariate analysis and/or Multiple discriminate analysis calculation.

APPENDIX C: Financial Statements, newspaper articles and other publicly available information.

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TIPS FOR COURSEWORK TWO

SECTION A: Introduction (give a background to the study/subject of discussion)

SECTION B: Carry out a literature review to discuss existing theoretical issues relating to your subject of discussion.

SECTION C: Analysis and discussion (Relate your findings in the literature review to a case study.

SECTION D: Draw a conclusion by summing up your views relating specific observations in the case study to theory in the literature review.

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LATE SUBMISSION

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The University requires students to adhere to submission deadlines for any form of assessment. A penalty will be applied in relation to unauthorised late submission of work.

Authorisation of the late submission of work requires written permission. There is an extension form that needs to be completed, available from the Student Office. This form needs to be signed by the module tutor and the Division Leader with responsibility for the module [if the Division leader is not available then the form can be signed by the appropriate Associate Director]. It is **your** responsibility to get the form signed which will give you permission for one extension period of between 1 and 10 working days where evidence of circumstances has been accepted and where submission within this timescale would be reasonable taking into account those circumstances.

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The University operates a universal penalty scale for unauthorised late submission of any form of assessed work. Students who submit work within 5 working days after the published submission date **without an authorised extension** will obtain a **maximum mark of 40%** for that element of assessment.

All work submitted **later than 5 working days** after the published submission date will be awarded a mark of **0%**.

EXTENUATING CIRCUMSTANCES AND POOR PERFORMANCE

Students who are unable to submit work within 10 working days after the submission date due to verifiable extenuating circumstances which are serious and exceptional, may submit a case for consideration in accordance with the University's Extenuating Circumstances Procedure.

The University operates a universal scheme for the submission of extenuating circumstances. If you feel that you have extenuating circumstances then you need to obtain a special envelope marked "Extenuating Circumstances" from the Student Office. This contains a form which asks for details of the course, the year of study, the name of the student, the name of the course leader and identifies the modules affected. (This includes modules internal and external to the School).

You must attach relevant documentary evidence such as medical certificates. The completed form and envelope are then returned to the Student Office.

[**Note:** disability or learning difficulty does not constitute an extenuating circumstance]

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**CHEATING, PLAGIARISM AND USING UNFAIR MEANS TO ENHANCE
PERFORMANCE**

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The University regards any use of unfair means in an attempt to enhance performance or to influence the standard of award obtained as a serious academic and disciplinary offence.

Unfair means includes all forms of cheating, plagiarism and collusion. Students are required to sign a declaration indicating that individual work submitted for assessment is their own.

All instances or allegations of the use of unfair means will be investigated under the procedure detailed in Appendix 10 of the Academic Regulations.

It is therefore essential that you acknowledge an author's work that you may have used to support an argument in any of your assignments.

Plagiarism is a particular form of cheating that the University is concerned about. All work that is submitted for assessment must be genuinely your own work and not the result of plagiarism. You sign to this effect on each cover sheet submitted with your assignments. If you are quoting actual words from a published or unpublished text you must use quotation marks and cite your source. In order to avoid accusations of plagiarism you should use the Harvard Referencing System. This will ensure that there is no ambiguity.

You must also not pass work off as the result of your individual efforts, if you have in fact colluded with other students to prepare the piece of work jointly, or you have copied each other's work. Clearly, it is also wrong to copy another student's work without them knowing about it.

You are advised to read the extract on this subject in the University Regulations. If you have any doubts on this important matter, you are advised to speak with the module tutor or Course Leader.

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INDICATIVE BIBLIOGRAPHY

Main Module Text:

1. McLaney, E. and Atrill, P. (4th Edition) *Accounting: An Introduction* FT Prentice Hall

It is recommended that you supplement the text with reading from the following:

1. Broadbent, M. and Cullen, J. (2003) *Managing Financial Resources* Butterworth-Heinemann
2. Davies, D. (1997) *The Art of Managing Finance* McGraw-Hill
3. Dyson, J.R. (2004) *Accounting for Non-Accounting Students* Pitman
4. Glynn, J et al (2003) *Accounting for Managers* Chapman and Hall
5. Pizzey, A. (1998) *Finance and Accounting for Non-Specialist Students* Pitman

In addition students will be encouraged to read the *Financial Times*, *The Economist*, journals such as *Financial Management*, and explore the availability of financial data

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