



FIN103 Financial Analysis and Valuation



Subject outline

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Section 1 — General information

1.1 Administrative details

Duration	Credit points	Level
One study period (12 weeks)	6	AQF8

1.2 Core or elective subject

This is a core subject for the Graduate Certificate in Corporate Finance, Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance and Master of Applied Finance.

1.3 Delivery mode

This subject is delivered online.

1.4 Prerequisites

There are no prerequisites for this subject. However please review the 'Assumed knowledge' section below to understand the prior knowledge Kaplan advises you should hold before enrolling in this subject.

1.5 Assumed knowledge

Whilst there are no prerequisites for this subject, students are expected to be able to use basic financial maths in a variety of financial contexts.

1.6 Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- FIN113 Techniques in Financial Analysis
- C2 Financial Analysis and Valuation.

1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.8 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



Section 2 — Academic details

2.1 Subject overview

This subject focuses on the fundamentals of financial analysis including techniques to analyse company financial statements. It reviews the accounting and reporting regulatory framework, examines the components of company financial reports and the information they provide to investors, and discusses how corporations are financed and returns provided to shareholders. It introduces fundamental valuation concepts and demonstrates financial statement analysis and the application of financial ratios in valuing a company for an investment recommendation. The use of both fictitious and real company financial statements provide opportunity for practical application of this learning.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Understand and apply the financial reporting framework and key accounting concepts that underpin the preparation of financial statements.
2. Analyse a company's high-level strategies and competitive position in the industry using the company's annual report and other publicly available information.
3. Calculate and analyse liquidity, working capital, gearing, profitability and market performance ratios using a company's annual report and other relevant information.
4. Explain the different financing options available for a publicly listed company, identify the risks associated with each, and analyse the impact on the company's liquidity, working capital, gearing, profitability and market performance ratios.
5. Calculate the financial ratios used in dividend analysis and explain how different shareholder tax positions impact on dividend yield.
6. Calculate and analyse price/earnings ratio for a publicly listed company.
7. Prepare an overall investment recommendation regarding a company's shares based on the quantitative and qualitative analysis of the company performance, including its financial ratios, high-level strategies, competitive position and business risks.

2.3 Topic learning outcomes

Topic 1: Introducing financial analysis and valuation

On successful completion of this topic, students should be able to:

- distinguish the concepts of value and price
- differentiate between the different sources of company funding
- describe the risk–return framework and the factors that a company considers when determining its debt and equity funding
- contrast the use and contents of the separate components of financial reports
- outline the factors influencing the information contained in financial reports
- identify the typical users of financial reports and the possible impact the financial information available might have on their decision-making.

Topic 2: Understanding the annual report I

On successful completion of this topic, students should be able to:

- outline the different classes of assets, liabilities and equity and the order in which they appear in the statement of financial position
- describe how specific assets and liabilities are recorded in the statement of financial position
- state the classification, description and valuation of the different classes of liabilities
- distinguish the major components of equity and how they are recorded.

Topic 3: Understanding the annual report II

On successful completion of this topic, students should be able to:

- describe the form and content of the statement of profit or loss and other comprehensive income and, where presented separately, the income statement and statement of comprehensive income
- explain how analysts use the statement of profit or loss and other comprehensive income (or, where presented separately, the income statement and statement of comprehensive income) as an indicator of an entity's performance
- interpret the statement of profit or loss and other comprehensive income and, where presented separately, the income statement and statement of comprehensive income
- describe how changes in equity during a reporting period are recorded in the statement of changes in equity
- describe the three main activities included in the statement of cash flows
- interpret the pattern of cash flows and 'other notes' in the financial report
- understand the importance of the *Corporations Act 2001* and accounting standards, particularly AASB 101 'Presentation of Financial Statements' to the financial statements of Australian listed companies.

Topic 4: Financing of corporations

On successful completion of this topic, students should be able to:

- describe the different forms of financing for corporations
- discuss situations in which the different forms of financing for corporations are used
- explain the importance of risk analysis in determining an appropriate gearing level.

Topic 5: Dividend imputation

On successful completion of this topic, students should be able to:

- understand what dividends are and how they are determined
- discuss dividend imputation and the effect of taxation on dividends
- calculate the return to shareholders from franked dividends.

Topic 6: Corporate accounts — working capital ratios

On successful completion of this topic, students should be able to:

- perform basic ratio analysis based on information in published financial reports
- describe the limitations of ratio analysis
- calculate some of the most commonly used working capital, capital and debt structure and debt protection ratios
- interpret the working capital, capital and debt structure and debt protection ratios calculated
- explain the importance of identifying business activities when interpreting ratios
- describe how an examination of working capital is an indicator of management efficiency.

Topic 7: Corporate accounts — profitability ratios

On successful completion of this topic, students should be able to:

- calculate various key financial ratios (EBIT margin, NPAT margin, gross margin, return on assets, return on equity and financial gearing profitability) that assist equity analysts and fund managers in assessing a company's profitability (based on its recent earnings history) and capital structure
- evaluate a company's performance using the results of the financial ratios calculated
- assess a company's earnings quality.

Topic 8: Corporate accounts — market performance ratios

On successful completion of this topic, students should be able to:

- explain the importance of per share information
- describe the reporting requirements for earnings per share (EPS) under Accounting Standard AASB 133
- describe various share issues and their impact on historical per share data
- calculate 'equivalent fully paid ordinary weighted average' shares (EFPOWA)
- calculate EPS, dividend per share (DPS), dividend yield, dividend cover, net tangible assets (NTA) per share and cash flow per share (CFPS) from financial statements
- interpret per share ratios calculated from financial statements
- explain the rationale for using CFPS as an indicator of financial strength.

Topic 9: An introduction to valuation

On successful completion of this topic, students should be able to:

- explain the purpose of valuing businesses and equity securities
- discuss the different types of valuation concepts and purposes
- discuss the valuation process
- explain the use and risk of financial statement analysis in valuing a company for an investment recommendation.

2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Assignment 1	Short-answer relating to a scenario based assessment	Week 4	1–3	25%	LO1, LO2
Assignment 2	Short-answer relating to a scenario based assessment	Week 7	4, 6	35%	LO3–LO5
Assignment 3	Short-answer relating to a scenario based assessment	Week 12	5–9	40%	LO3, LO5–LO7

Please refer to our website www.kaplanprofessional.edu.au to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan’s online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Introducing financial analysis and valuation	7
2	Topic 2: Understanding the annual report I	12
3	Topic 3: Understanding the annual report II	15
4	Topic 4: Financing of corporations Assignment 1 (Weighting 25%)	8
5	Topic 5: Dividend imputation	6
6	Topic 6: Corporate accounts — working capital ratios	14
7	Topic 7: Corporate accounts — profitability ratios Assignment 2 (Weighting 35%)	10
8–9	Topic 8: Corporate accounts — market performance ratios	20
10	Topic 9: An introduction to valuation	8
11–12	Assignment 3 (Weighting: 40%)	20
Total minimum study load		120 hours

Additional study hours (if required), dependent on knowledge and personal commitments	20 hours
Total study load, including additional study hours	140 hours