

HI5002: Finance for Business

Trimester 2 2018

Group Assignment

Assessment Value: 30%

Group: 2 - 4 students

Length: Min 3,000 words

INSTRUCTIONS

Students are required to form a group to study, undertake research, analyse and conduct academic work within the areas of business finance covered in learning materials Topics 1 to 10 inclusive. The assignment should examine the main issues, including underlying theories, implement performance measures used and explain the corporate financial performance. Your group is strongly advised to reference professional websites, journal articles and text books in this assignment (case study).

Tasks

This assessment task is a written report and analysis of the financial performance of two selected listed companies on the ASX in order to provide financial and investment advice to a wealthy investor. This assignment requires your group to undertake a comprehensive examination of corporate financial performance based on update financial statements of the chosen companies.

Group Arrangement

This assignment must be completed IN Group. Each group can be from 2 to maximum 4 student members. Each group will choose two companies and once the companies has been chosen, the other group cannot choose the same two companies. **First come first served rule** applies here, it means you need to form your group, choose two companies from the list of ASX and register them with your lecturer as soon as possible. Indicate your group leader when registering your group with your lecturer for assignment administration and submission. **Once your lecturer registers your chosen companies, they cannot be chosen by any other group.** Your lecturer then will put your group on Black Board to enable you to interact and discuss on the issues of your group assignment using Black Board environment. However, face to face meeting, discussion and other methods of communication are needed to ensure quality of group work. **Each group needs to have your own arrangement so that all the group members will contribute equally in the group work.** If not, a **Contribution Statement**, which clearly indicated individual contribution (in terms of percentage) of each member, should be submitted as a separate item in your assignment. Your individual contribution then will be assessed based on contribution statement to avoid any free riders.

Submission

Please make sure that your group member's name and surname, student ID, subject name, and code and lecture's name are written on the cover sheet of the submitted assignment.

When you submit your assignment electronically, please save the file as 'Group Assignment- your group name .doc'. You are required to submit the assignment at **Group Assignment Final Submission**, which is under **Group Assignment and Due Dates** on Black Board.

Submitted work should be your original work showing your creativity. Please ensure the self-check for plagiarism to be done before final submission in accordance with **Safe Assign Student Guide** in Black Board. As a guide, a similarity score of over 30% is considered as excessive except in the cases where the similarity is caused by the use of template provided by the lecturer, references or sources of data. Please note that it takes 48 hours for the self-check report to be available for your viewing.

Always keep an electronic copy until you have received the final grade for the Unit. Please make sure that you submit the correct file. **Any appeal relating to submitting wrong files after the deadline will not be considered.**

Deadlines

Registration of groups and chosen companies: **5 pm Friday, Week 4**

Final Submission of Group Assignment: **Midnight (23:59 pm.) Sunday, Week 10**

Late submission **incurs penalties of 5 (five) %** of the assessment value per calendar day unless **an extension and/or special consideration** has been granted by the lecturer **prior to the assessment deadline.**

BACKGROUND

You're a group of investment analysts who work for a large investment consulting firm based in Australia. There's one big institutional investor from overseas that is interested in investing in the Australian market. You've been asked to choose two large companies operating under the same industry in Australia (the industry you think will have the most promising future for investment) then evaluate and compare them. Finally make a recommendation through your Report to the investor which one is more superior fundamentally.

Create your group's "business name" under which your group will be providing the financial advisory services. Choose two listed companies that your group will investigate/analyse for the purposes of possible recommendation to your client. The group should obtain all information about the selected companies from this web site: www.asx.com.au.

Required:

Obtain copies of **Financial Statements** including Income Statements, Balance Sheets, and Statement of Changes in Equity, Cash Flows Statements and Notes for three (3) financial year 2014-2015, 2015-2016 and 2016-2017. Your group can download these documents from the suggested web site using the firm's code (example, BHP- for BHP

Billiton Company, etc.). The assignment should cover the contents described in Part 1 to 7 bellows.

STAGES TO BE COMPLETED	
1	Description of operation and comparative advantages of the two chosen companies.
2	Calculation and comparison of performance ratios of the two companies
3	Analysis of monthly share prices movements of the two companies within 3 years
4	Identify any significant factors which may have influenced the share price of your chosen companies during the time frame.
5	Calculation of Beta values and expected Rates of Return using the CAPM of the two chosen companies
6	Identify and compare dividend policy of the two chosen companies
7	Letter Recommendation
Final Submission of Complete Assignment on Blackboard	
(Week 10)	

Details of financial analysis tasks:

1. Description of operation and comparative advantages of the two chosen companies: Prepare a brief description of the chosen companies, outlining the core activities, the market(s) in which they operate within and any factors in the companies' history which you consider help present the pictures of your companies. Identify and compare their comparative advantages.

2 marks

2. Calculation and comparison of performance ratios: using financial data obtained from current financial statements of your selected companies for the past 3 years. Annual reports are accessible via company websites or ASX website. Your client is strongly interested in the three groups of ratios:

- Liquidity ratios;
- Profitability ratios
- Capital structure (leverage) ratios

You need to provide charts and/or tables for analysis and justification.

6 marks

3. Analysis of monthly share prices movements: Using the information from the ASX website, complete the following tasks:

- Prepare graphs for movements in the monthly share price over the last three years for the companies that you are investigating. Plot them against movements in the All Ordinaries Index.

2 marks

- Write a report which compares movements in the two selected companies' share prices to each other and to the All Ords Index. For instance, how are the prices of the two selected moving? In the same trend or diverse trends? How closely are they correlated with the All Ords Index. Above or below? More or less volatile?

2 marks

4. Significant factors which may have influenced the share price: Research *via the internet or financial/business publications*:

From research via the internet (using credible sources) or financial/business publications, identify at least 2 significant announcements which may have influenced the share price of your selected companies within 3 years. These factors could include merger or acquisitions, positive or negative earnings forecasts, unusual write-offs or abnormal items, macroeconomic factors, industry wide factors, significant management changes, changes in the focus of the companies, impact of competitors or law suits etc.

4 marks

5. Calculation of beta values and expected Rates of Return using the CAPM: Go online to <http://www.reuters.com/finance/stocks/> and type in the code for your companies into the Search Stocks field and click on the magnifying glass button.

- What is their calculated beta (β) for your companies?

2 mark

- If the risk free rate is 5% and the market risk premium is 6%, use the Capital Asset Pricing Model (CAPM) to calculate the required rate of return for the companies' shares.

2 marks

6. Dividend policies:

Discuss what dividend policies appear to be implemented by the companies' management boards. Explain any reason related to that particular dividend policies.

4 marks

7. Recommendation letter: Based on your analysis above, write a letter of recommendation to your client, providing an explanation as why you would like to include one of selected the companies in his/her investment portfolio. Please refer to the ratio results calculated earlier and any other trends or factors that you believe to be important.

4 marks

8. Presentation, structure and academic writing**2 marks**

Total = 30 marks**Academic Writing, Referencing and Plagiarism****Presentation of written work**

The report must have an academic written structure including an introduction, body and conclusion.

- Use numbers to structure body of the report (e.g., “2.5. Research via the internet”).
- Provide an explanation on each of these issues (points) and explain how they confirm the underlying theory, particularly related to the ownership, financial measures, risk-return, and capital structure and dividend policy.
- You are required to use Times New Roman font, size 12 with 1.5 lines spacing.
- Please insert page numbers into your assignment and use 3 cm margins.

A high standard of work is always expected, so poorly presented work may be returned unmarked with a request to re-submit.

Referencing

When writing your assignments, a reference must be included every time you use someone else’s ideas or information. In-text referencing of ALL sources, whether academic books, journal articles, newspaper articles, material from the Internet etc., must be cited in the main text of the assignment itself. Harvard Style referencing is required for this assignment.

A reference must be included when you:

- Paraphrase (express someone else’s idea in your own words).
- Quote (express someone else’s idea in their exact words).
- Copy (financial statement, reproduce a diagram, graph or table from someone else’s work).

Example:

Titman, S., Martin, T., Keown, A.J., Martin, J.D, Financial Management: principles and applications, 7th Edition, Pearson Education, Melbourne, 2016, Australia.

Halili, E, Saleh, A and Zeitun, R (2015), 'Governance and Long-Term Operating Performance of Family and Non-Family Firms in Australia', *Studies in Economics and Finance*, vol.32, no.4, pp.398-421.

History of ASX, viewed Nov 07 2017, <https://www.marketindex.com.au/history>

Plagiarism, collusion and cheating

Holmes Institute regards most seriously any act of dishonesty in assessments such as plagiarism, collusion, cheating, re-submission of previously marked work in different units, examination misconduct and theft of other students’ work.

In short:

‘Plagiarism’ means to take and use another person’s ideas and pass these off as your own by failing to give appropriate acknowledgement, that is, not indicating by referencing that the ideas expressed are not your own.

‘Collusion’ (or unauthorised collaboration) means joint effort in preparing material submitted for assessment, between students or others, except where this has not been approved by the lecturer in charge of the unit.

‘Cheating’ means to obtain an unfair advantage in an examination or in other written or practical work required to be submitted or completed by a student for assessment. If the passing off was done intentionally, you have cheated; if it was unintentional, the offence you have committed is the academic misdemeanour of failing to reference a source correctly.

Acts of dishonesty in assessment could result in penalties including failure in the Unit and possible exclusion from Holmes Institute. If you are unsure about this, please speak to the subject co-ordinator.

CRITERIA FOR GROUP ASSIGNMENT ASSESSMENT

Content	Unsatisfactory (0-49% marks given)	Limited Demonstration (50-60% marks given)	Proficient (61-79% marks given)	Exemplary (80%-full marks given)
1 and 4	No specific data and information provided to answer the questions; No research basis for analysis; Merely relying on secondary data from internet; No reference.	Limited data and information provided to answer the questions; Limited research conducted; Limited references;	Adequate data and information provided to answer the questions; Reasonable research conducted; Issues are discussed based on sufficient research and in relation to each other; Adequate references in proper referencing style;	Outstanding data and information provided to answer the questions; Independent and deep analysis, based on wide research; Issues and factors are presented and analyzed in a logical interconnectedness; Broad and credible sources of references in proper referencing style.
2 and 5	Calculations are not demonstrated for the required financial ratios Providing no explanation of implications of the variables; Providing no comparison of financial ratios Single year analysis.	Calculations are limitedly demonstrated; Financial ratios are provided inadequately; Providing limited analysis and comparison of the ratios; Inconsistent time period of analysis.	Adequate demonstration of calculations; Financial ratios are derived with relevant implications and explanation; Comparison, analysis and Justification and assumptions are clear; Consistent 3 year analysis.	Calculation and presentation are demonstrated clearly; Financial ratios are derived, compared and justified with exemplary analysis that based on current issues and key factors; Comparison, Implications and explanation are provided convincingly Consistent 3 year analysis and properly

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				justified for inclusions or exclusions.
3 and 6	<p>Providing no graphs of share price and index price,</p> <p>No or inadequate information on dividend policy and factors that may affect share price</p> <p>No adequate comparison and explanation of trends, dividend policy and factors affecting share price</p> <p>No relevant research and referencing</p>	<p>Providing graphs of share price and index but not in relevant time frame;</p> <p>Indicating limited number of factors affecting share price</p> <p>Limited analysis, comparison and explanation of price trends and dividend policy and factor affecting share prices;</p> <p>Limited research conducted, inadequate referencing</p>	<p>Providing adequate graphs of share price and index, list of relevant factors that may affect share price</p> <p>Indicating clearly dividend policy</p> <p>Relevant analysis, comparison and justification of price trend and dividend policy based on reliable data within proper time frame;</p> <p>Adequate research conducted with relevant referencing</p>	<p>Providing well established graphs of share price and price index, which shows clearly price trends in the given time frame</p> <p>Indicating a list of factors that affect share price with reliable data and proper justification</p> <p>Analyzing and comparing price trends and dividend policy of the companies with exceptional good justification and data based analysis</p> <p>Outstanding research is conducted with wide based sources and proper referencing</p>
7 and 8	<p>Providing no recommendations or inadequate recommendations for investment decisions;</p> <p>No relevant justification using data and information derived from the analysis of financial statements;</p> <p>Failing to meet the requirements of academic writing in terms of structure, presentation, wordings and referencing</p>	<p>Addressing limited recommendations;</p> <p>Demonstrating limited justification and analysis of the given recommendations;</p> <p>Demonstrating limited skills of academic writing in terms of structure, presentation, wordings and referencing</p>	<p>Presenting adequate recommendations that properly supported by justification and analysis;</p> <p>Data and information derived from financial analysis completed are properly used to support the recommendations</p> <p>Demonstrating the ability to present the ideas in proper analytical and contextual level</p>	<p>Presenting a wide ranges of adequate recommendations that exemplarily supported by justification and analysis;</p> <p>Using data and information derived from financial analysis completed in an efficient, analytical and logical manner;</p> <p>Demonstrated a high level of understanding and skills of academic writing by means of criticism, logical argument, and interpretation of data and information.</p>