**Financial Statement Analysis (FNCE5006) – Assessment 3**

This assessment requires students to conduct financial statement analysis for a publicly listed company focusing on the topics covered in week 9, 10 &11. This assessment

* is an individual assignment.
* represents 30% of the overall marks of this unit;
* should be submitted via Turnitin to the link provided on Blackboard.
* due date and time: 7th June at 17:00 (AWST)
* All the questions should be answered. In answering the questions, students must show the detailed assumptions and calculations. Please attach all the website information used (screenshots are allowed) as appendix.

**Questions:**

1. Perform a valuation of a public listed company in Australia (you can choose any firm listed on the ASX, **except for Woolworths, Wesfarmers, and CSL**) using residual earnings (RE) model. Carefully explain the assumptions used to select inputs for your model (attach all the resources of your inputs in appendix). You should also make an investment recommendation based on your work.

[15 marks]

1. Assume you are computing the depreciation expense of a piece of equipment for the fiscal year ended 30 June 2022 (FY 2021/2022) for ABC Inc. The equipment was acquired on 1 July 2021 with a purchasing price of 5 million, the equipment is expected to have a useful life of five years without any salvage value. You also gather the following information:

|  |  |
| --- | --- |
| Total plant capacity of the equipment per year | 650,000 units |
| Production in FY 2021/2022 | 450,000 units |
| Total expected production of the equipment during its useful life | 1,500,000 units |

Use Straight-Line method, Units of Production method and Double-Declining Balance methods to calculate the depreciation expense for the fiscal year ended 30 June 2022.

[6 marks]

1. XYZ Inc. issues $1000 million face value, eight-year bonds with a coupon rate of 3.5%. At the time of issuance, the market interest rate is 4.5%. Using the effective interest rate method of amortisation, what is the amortisation in **year 2**?

[5 marks]

1. Comment on any of the Mergers and Acquisition activity (or announcement) in 2023 so far worldwide, you should focus your discussion on the type of the M&A, the motivation as well as the consequence of this M&A decision.

[4 marks]

**END OF THE PAPER**