



Financial Information for Decision Making (ACC10007)

Group Assignment – Harvey Norman Holdings Limited

Semester 2, 2022

Due date: Friday 21 October 2022 at 11:59pm (Week 11)

Submission: Online via Canvas (late assignments) – A **penalty of 10 marks (out of a total of a 100 marks) per day** will apply to late assignments.

GENERAL

Students are encouraged to commence this assignment as soon as practicable, noting that the analysis of financial statements using appropriate ratios is covered in week 7 & 8. **This is a group assignment** (maximum of four students) and is **not** to be undertaken independently.

REQUIREMENTS

- You are required to undertake financial statement analysis on **Harvey Norman** and prepare a **written report (4,000 words)** - see required structure below.
- Use the data from **Harvey Norman's** financial statements to undertake financial statement analysis.
- Your report must incorporate financial statement analysis that examines the *profitability, asset efficiency, liquidity, capital structure (solvency) and cash flows* of **Harvey Norman**.
- Your report should cover a 3-year period for the periods ending **2019, 2020 and 2021** and should be sufficiently broad in scope to demonstrate your understanding of findings, following the analysis.
- The **Harvey Norman** Annual Reports can be downloaded via Canvas.
- Please use the Annual Reports as indicated:
 - Use 2021 Annual Report for all values for 2021 and 2020
 - Use 2019 Annual report for all values for 2019 and 2018

REPORT STRUCTURE

1. Title Page

- Title of your report
- Group allocation (i.e., Name of tutor, time and day of tutorial, Group number)
- Student names and I.D.
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2. Declaration and Statement of Authorship (See Appendix A)

3. Group Contribution Table (See Appendix B)

4. Executive Summary

- A brief discussion of the aim and scope of the report.
- A brief discussion of the company.
- A brief discussion of **key findings** and **recommendations**.

5. Company and Industry Background

- **Brief company profile of Harvey Norman** – include its history, financial highlights, and other relevant company information such as when and where it started operations; any major expansions and acquisitions from then to now; types of products/services it offers, significant business relationships.
- **Industry** – includes identifying which industry it operates in, an understanding of the state of the industry and identifying major competitors.

6. Ratio calculations

The minimum ratios to be calculated for **each of the 3 years** (2019, 2020 and 2021) are:

- **Profitability**
 - Return on Equity
 - Return on Assets
 - Gross Profit Margin
 - Net Profit Margin
 - Cash Flow to Sales
 - Asset Turnover
- **Liquidity**
 - Current Ratio
 - Quick Ratio
 - Cash Flow Ratio
- **Asset Efficiency**
 - Days in Inventory
 - Days in Debtors
 - Activity Cycle

- **Capital Structure (Solvency)**

- Debt Ratio
- Debt to Equity Ratio
- Equity Ratio
- Debt Coverage Ratio
- Interest Coverage

Assumptions and other useful information for calculating ratios:

- Provide 2 decimal points for your final ratios.
- Ratio formulas to be used as per the **Week 7 and 8 Lecture Videos**.
- Use **Trade Receivables, net** as shown in the notes to the accounts when calculating Days Debtors.
- Assume that **40%** of sales are credit sales.

7. Analysis and interpretation of financial ratios

- Based on the financial reports and other information, undertake financial statement analysis and interpretation that covers the **three financial years ending 2019, 2020 and 2021**, concentrating on the following aspects:
 - Profitability
 - Liquidity
 - Asset Efficiency
 - Capital Structure (Solvency)
- Please note that analysis does not mean just restating the ratios or their formulas you need to discuss the **reasons why the ratio changed and its implications**.
- Your analysis should incorporate **benchmarking** such as comparison to competitors and/or industry averages.
- It is important that you **link** your ratios where appropriate...i.e., the DuPont Formula!
- Students are encouraged to look beyond COVID as the obvious reason for changes in ratios. Adhering to only 'COVID' as the cause for changes in the ratios will not qualify as well-rounded analysis.

8. Analysis and Interpretation of Cash Flow Statements

- Your analysis should also include a review of **Harvey Norman's operating, investing, and financing cash flows** over the **three years**. Consider absolute figures, trends and any relevant ratios to assist your analysis. Provide explanations why there has been changes in **Harvey Norman's** cash flows.

9. Assessment of other relevant information

- An assessment of other information, including non-financial, that is relevant to the assessment of **Harvey Norman**. For example, global events, industry developments and issues, unusual or one-off events, structural changes to the company such as changes in board composition, mergers or acquisitions, economic factors, charities etc. and any other relevant issues which may potentially impact on the operations of the company.
- Consider also its environmental and social performance.

11. Summary and conclusion

- Based on your analysis and findings, summarise **Harvey Norman's** current financial situation, consider its potential outlook and make any recommendations that would improve **Harvey Norman's** performance and/or position in the categories you have examined.

12. Appendices

- Include any appendices

13. References

Please follow the American Psychology Association (APA) referencing style. The APA style guide can be found here:

<https://www.swinburne.edu.au/library/search/referencing-guides/apa-style-guide/>

SUBMISSION CONSIDERATIONS

- Word limit **4,000 words** (excluding tables, graphs and appendices, title page, executive summary and bibliography).

- This assignment (including the Group Assignment Contract) is worth 20% of your final assessment.
- The report must be the **work of the group** and any material used from other sources (particularly reports from banks, investment analysts/brokers, etc.) must be acknowledged and appropriately referenced.
- The report format and structure, spelling, grammar and punctuation will all be considered.
- All references should be appropriately acknowledged.
- Other types of useful information may be available from the following sources:
 - **Industry Context:** Australian Bureau of Statistics (ABS), IBIS (Swinburne University Library has access to some but not all ABS and IBIS information);
 - **Market:** Australian Securities Exchange (ASX) www.asx.com.au.
 - **Newspapers:** Australian Financial Review, other newspapers and business publications.
 - **Newsletters** issued by stockbrokers and fund managers.
 - **Note:** Students are **not expected** to purchase industry or company specific reports from commercial suppliers. Only resources which are available through Swinburne University Library or on corporate or other websites (or other media such as Newspapers electronically available for example) and which are **free of charge** are expected to be used.
 - Only one submission per group is required. Submission instructions will be provided on Canvas.
 - No extensions will be considered for the assignment submission due date unless a written request is submitted to and agreed by the Unit Convenor. A **penalty of 10 marks (out of a total of a 100 marks) per day** will apply to late assignments.
 - Please refer to Canvas for a detailed marking rubric.

Appendix A

Declaration and Statement of Authorship

All students must agree to the following declaration when submitting assessment items

1. I/we have not impersonated, or allowed myself/ourselves to be impersonated by any person for the purposes of this assessment.
2. This assessment is my/our original work and no part of it has been copied from any other source except where due acknowledgement is made.
3. No part of this assessment has been written for me/us by any other person except where such collaboration has been authorised by the lecturer/teacher concerned.
4. I/we have not previously submitted this work for a previous attempt of the unit, another unit or other studies at another institution.
5. I/we give permission for my/our assessment response to be reproduced, communicated, compared and archived for plagiarism detection, benchmarking or educational purposes.

I/we understand that:

- Plagiarism is the presentation of the work, idea or creation of another person as though it is your own. It is a form of cheating and is a very serious academic offence that may lead to exclusion from the University.
- Plagiarised material may be drawn from published and unpublished written documents, interpretations, computer software, designs, music, sounds, images, photographs, and ideas or ideological frameworks gained through working with another person or in a group.
- Plagiarised material can be drawn from, and presented in, written, graphic and visual form, including electronic data and oral presentations. Plagiarism occurs when the origin of the material used is not appropriately cited.

I/we agree and acknowledge that:

1. I/we have read and understood the Declaration and Statement of Authorship above.
2. I/we accept that use of my Swinburne account to electronically submit this assessment constitutes my agreement to the Declaration and Statement of Authorship.
3. If I/we do not agree to the Declaration and Statement of Authorship in this context, the assessment outcome may not be valid for assessment purposes and may not be included in my/our aggregate score for this unit.

Penalties for [plagiarism](#) range from a formal caution to expulsion from the university, and are detailed in the [Student Academic Misconduct Regulations 2012](#).

Signatures:

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Appendix B

Group Contribution Table

The Group Assignment requires your team to complete the following table listing the group members who contributed and the agreed level of contribution by all group members. (If all group members contribute equally it is assumed the level of contribution would be listed as 100%)

Group Member Name	Level of Contribution (0-100%)	Comments

As an example – if team “Ace” receives a score of 80% for their group assignment – and all team members saw a 100% contribution level recorded, then all team members would receive the full 80% team score. A team member who had a 50% contribution level recorded would receive an adjusted mark of 40% (50% of the 80% team result). As a formula the individual mark received for a team assignment is:

$$\text{Individual Mark} = (\text{Level of Contribution}) * \text{Group Mark}$$

Appendix C – Suggested Ratio Calculation Table

Detailed ratio calculations...include in an appendix. *This will be a rather long table with many numbers and formulas*

Ratio	2021	2020	2019
Profitability			
ROA = write the formula	Substitute values from annual report and show workings and get the FINAL answer	Substitute values from annual report and show workings and get the FINAL answer	Substitute values from annual report and show workings and get the FINAL answer
Solve all profitability ratios with detailed workings like above and move on to the next one...	SAME as above	SAME as above	SAME as above
Cover all ratios under efficiency, liquidity, capital structure in a similar format showing detailed working and final answers			