

COMM1140

Financial Management

Complete Course Notes

UNSW Business School | Weeks 1, 2, 3, 4, 5, 7, 8, 9

Course Overview

What is COMM1140?

COMM1140 Financial Management is a core first-year course in the UNSW Bachelor of Commerce. It takes an integrated approach to financial management by drawing on expertise from three disciplines: accounting, finance and tax. The central objective is to develop financial literacy and analytical ability sufficient to understand how organisations plan, record, analyse and evaluate their financial performance and position.

Financial management is defined as the process of planning, organising, controlling and monitoring financial resources with a view to achieving organisational goals and objectives. Its primary purpose is to maximise shareholder value through appropriate resource utilisation and decision-making.

Course Structure

Part	Weeks	Topic
Part One: Foundations	Week 1	Introduction to Financial Management
Part One: Foundations	Week 2	Measuring and Evaluating Financial Position and Performance
Part One: Foundations	Week 3	Recording Business Transactions: Transaction Analysis and Double Entry
Part One: Foundations	Week 4	Recording Business Transactions: Accrual Accounting Adjustments
Part One: Foundations	Week 5	Audit and Internal Control

Part	Weeks	Topic
Part One: Foundations	Week 7	Financial Statement Analysis: Income Statement and Balance Sheet
Part Two: Integration	Week 8	Cash Flow Management and Valuation
Part Two: Integration	Week 9	Free Cash Flow Estimation
Part Two: Integration	Week 10	Responsible Financial Management

Assessment Overview

Component	Weight	Detail
Tutorial Participation	10%	Ongoing across all tutorial weeks.
Mid-Term Quiz	20%	Scheduled for Week 5 at 6pm; one hour in duration.
Group Assignment	20%	Collaborative project; details released during semester.
Final Exam	50%	Covers all content from Weeks 1 to 9.

The Three Disciplines of Financial Management

<p>Accounting</p> <p>The process of identifying, measuring, recording and communicating economic information to assist users to make informed decisions. Accounting is the language of business and the foundation of all financial reporting.</p>	<p>Finance</p> <p>Examines how companies source funding and how that money is invested. Finance uses accounting data as input but focuses on predicting future value. Key sub-disciplines include asset pricing and corporate finance.</p>	<p>Tax</p> <p>Companies are responsible for collecting and paying corporate tax, GST, income tax, and payroll tax. Tax obligations are interconnected with accounting concepts and internal control. Failure to comply is punishable by law.</p>
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Week 1 -- Introduction to Financial Management

Week 1 establishes the foundational vocabulary and conceptual architecture for the entire course. It introduces the three disciplines of financial management, the key users of financial information, the three core financial statements, and the fundamental distinction between accrual accounting and cash accounting.

1.1 Learning Objectives

1. Define financial management and understand its primary objective.
2. Understand who uses financial information and what they need from it.
3. Understand how accounting information is presented in the balance sheet, income statement and cash flow statement.
4. Understand the accounting equation and accrual accounting.

1.2 What is Financial Management?

Financial management is the process of planning, organising, controlling and monitoring financial resources with a view to achieving organisational goals and objectives. The primary objective is to maximise shareholder value through appropriate resource utilisation and decision-making.

The course studies important processes organisations implement to manage and control profitability, expenses, cash, investments and credit -- key processes that enable a firm to operate indefinitely while generating returns for its owners.

Accounting	The process of identifying, measuring, recording and communicating economic information to assist users to make informed economic decisions. Accounting is the language of business. It enables investors, media and other stakeholders to understand and interpret company performance. Key outputs include financial statements: balance sheet, income statement and cash flow statement.
Finance	Examines how companies source funding and how that money is invested. Two major areas: (1) Asset Pricing: focuses on the investor's perspective -- what are assets worth, how risky are they, how do we form portfolios? (2) Corporate Finance: focuses on the entity -- which projects to invest in, how to finance operations, how to pay out earnings?
Tax	A compulsory financial charge imposed by a governmental organisation to fund public expenditure. Companies are responsible for corporate tax on profits, GST on product sales, income tax and payroll tax on employee wages. Tax is interconnected with accounting concepts and internal control. Non-payment or evasion is punishable by law.

Why study this? Financial literacy is a key life skill regardless of career path -- whether starting a business, working in a company, government or NGO. Accounting and finance decisions affect every aspect of business operations including marketing, management, tax, information systems and actuarial analysis.

1.3 Users of Financial Information

Accounting is the process of identifying, measuring, recording and communicating economic information to assist users to make decisions. Users fall into two broad categories.

External Users (outside the organisation)	Internal Users (inside the organisation)
<ul style="list-style-type: none"> • Banks and creditors: assess solvency and credit rating; ability to repay loans. • Shareholders and investors: assess future dividend prospects and long-term profitability. • Suppliers: determine ability to pay on time; assess future sales potential. • Tax Office (ATO): calculate profit based on tax law. • Labour unions: assess profit levels since the last enterprise agreement. • ASIC: assess listing price on stock exchange; detect financial fraud. • Financial and market analysts: deep analysis to make or sell investment decisions. • Government and regulators: check compliance with laws and regulations. 	<ul style="list-style-type: none"> • Board of Directors: approve financial statements; legally responsible for their accuracy. • Management: assess profitability of different divisions; develop future business goals. • Employees: understand business health; assess job security and wage prospects.

Three types of accounting information exist: (1) Financial accounting, which focuses on external users and is presented in financial statements -- this is the primary focus of COMM1140. (2) Management accounting, which provides information to internal users to aid operational planning and control. (3) Social and environmental accounting (sustainability reporting), which provides non-financial information to external parties.

1.4 Annual Reports

An annual report is a document published by listed companies containing descriptive information about the company and the three key financial statements, along with a wide range of additional information in notes. Annual reports are available on company websites and stock exchanges. They typically contain: summary performance data and multi-year comparisons; the chairperson's report; the CEO's review of operations; a corporate governance statement; the set of financial statements; directors' statement; independent audit report; directors' report; substantial shareholder information; sustainability reporting; and other voluntary disclosures.

1.5 The Three Key Financial Statements

Statement	What It Shows	Time Reference	Accounting Basis
Balance Sheet(Statement of Financial Position)	The financial position of an entity: its resources (assets) and the sources that funded them (liabilities and equity). Shows what the entity has and what it owes at a specific date.	Point in time(e.g., as at 30 June 2021)	Accounting equation:Assets = Liabilities + Equity
Income Statement(Profit and Loss Statement)	The financial performance of an entity over a period: revenues earned and expenses incurred. Shows whether the entity generated a profit or a loss during the period.	Period of time(e.g., year ended 30 June 2021)	Accrual accounting:Revenues recognised when earned; expenses when incurred.
Cash Flow Statement	Movements in the entity's cash balance over a specific time period. Categorised into operating, investing and financing activities. Reconciles the opening and closing cash balance.	Period of time(same period as income statement)	Cash accounting:Recognised when cash is actually received or paid.

1.6 The Balance Sheet

The balance sheet reports the financial position of an entity at a point in time. It is prepared at the end of each reporting period (e.g., each year end) and reflects the cumulative result of all transactions ever recorded by the entity. It contains three main elements.

Assets	Resources that will be used by the entity this year or in future years to generate revenue. Examples: cash, property, equipment, inventory, accounts receivable, prepayments, intangible assets (licences, goodwill). Assets are classified as current (expected to be realised within 12 months) or non-current (longer period).
Liabilities	A list of debts and other financial obligations -- what the company owes. Examples: accounts payable, loan payable, wages payable, taxes payable. Liabilities are classified as current (to be paid within 12 months) or non-current.
Shareholders' Equity	What belongs to the owners (shareholders). Also referred to as net assets (what would remain if the entity ceased operations, all liabilities were paid and all assets sold). Common components: share capital (money invested by owners in exchange for shares) and retained profits (cumulative profits earned but not yet distributed as dividends).

1.7 The Accounting Equation