**Financial Reporting Coursework**

* **Significance of the coursework**

This coursework contributes 60% of the marks available for the Module, Advanced Corporate Reporting.

* **Specific instructions relating to the coursework**
* The word limit for the coursework is 1800 words (+/- 10%).
* The submitted work should include the following:
* A front cover: include the course name/number, the module reference number and your own name/student ID. Specify your actual word count excluding front cover, table of contents, bibliography and appendices (***do not*** take the word count from the Turnitin report).
* A table of contents and page numbers.
* A bibliography (using **HARVARD** style of referencing)
* Appendices, as appropriate.
* The attention of everystudent is drawn to the warning in the course guide on late submission of coursework, extenuating circumstances and plagiarism.
* .**You need to look at all matches of 2% and above**

***BA (Hons) Accounting and Finance***

***Advanced Corporate Reporting Coursework***

***Semester 2: 2015/16***

**3.0 Introduction**

This coursework assesses the ability of students to investigate the wealth effects of earnings announcements made by firms.

**3.1 Main requirement of the coursework**

You are expected to use Event ***Study Methodology*** to assess the wealth effects of **TEN Half –Year Earnings Announcements** of FTSE 250 listed firms in 2015. Please note that the ten firms selected for your coursework should have the same financial year end.

Five of the announcements should be **good news announcements** and the other five should be **bad news announcements**. Your report should clearly indicate the basis of classifying the announcements into the two categories. Please apply the same definition of good/bad news to all the ten firms selected for your coursework. The following are examples of good news announcements:

Half Year’s earnings higher than Last Year’s Half Year Earnings

Half Year’s losses lower than Last Year’s Half Year losses

Half Year’s earnings higher than analysts’ estimates

Half Year’s EPS is higher than Last Year’s EPS

The report should not exceed 1800(+/-10%) words and should be based on the evidence you have collected, your calculations, academic literature and newspaper readings relating to the announcements.

**3.2 Data collection and preliminary calculations**

**3.2.1 Earnings Announcement**

Identify the exact date of the earnings announcements of your chosen firms. To ensure a more accurate assessment of the wealth effects of the announcement, it is very important that you establish, with some precision, the date the earnings information was made available to the public. The following are some of the sources of earnings announcements:

-Financial press

-Yahoo Finance

-Thompson One Banker

-Bloomberg

-Reuters

-Website of the announcing firm

**3.2.2 Share** **price and Index**

The historical share price of the sample firms and data on the level of the FTSE 250 index can be downloaded from Yahoo Finance or Bloomberg.

**3.2.3 Estimation period and Event Window**

Note that the length of the estimation period and the event window that you use for the coursework is entirely down to you. However, your choice should be guided by literature.

**3.2.4 Calculating the Normal, Abnormal, Average and Cumulative Abnormal Returns**

1. Use Microsoft *Excel to* calculate the daily returns on the shares of your sample firms.

 2. Use Microsoft Excel to compute the daily return on the *FTSE 250 (proxy for the market portfolio)*

3. Use the market model to estimate the normal returns. (Please use the estimation period to estimate the normal/expected returns.

4. Finally, obtain the abnormal, average and cumulative average abnormal returns on the shares of your sample firms during the event window and test for their significance.

**3.2.5. Plotting the Returns and the Cumulative Abnormal Returns**

Using Microsoft Excel, plot the trend of average abnormal returns and the cumulative average abnormal returns on the shares of your sample firms.

**4.0 Essay/Report**

Your report should include the following sections:

Introduction

Importance /relevance of earnings announcements

Empirical evidence on the wealth effects of earnings announcements

Methodology – method of data collection, choice of estimation period, event window, data analysis etc.

Analysis of results-

Negative or positive abnormal l returns?

Returns for good news firms different from bad news firms?

Significance of the average abnormal returns

Any evidence of post announcement drift?

Others

**5.0 Appendices**

Your work should have the following appendices:

 – Table of Returns and Abnormal Returns

-Charts of Returns and Cumulative Abnormal returns