



# AFIN838

## Business Valuation

S2 Day 2016

*Dept of Applied Finance and Actuarial Studies*

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## General Information

Unit convenor and teaching staff

Unit Convenor

James McCulloch

[james.mcculloch@mq.edu.au](mailto:james.mcculloch@mq.edu.au)

Contact via [james.mcculloch@mq.edu.au](mailto:james.mcculloch@mq.edu.au)

Consultation during tutorials or via email

Credit points

4

Prerequisites

ACCG611 or AFCP613 or ACST603 or AFIN858

Corequisites

Co-badged status

Unit description

This unit examines the many techniques commonly employed in assessing the value of whole businesses and individual parts of businesses, how to select an appropriate technique for a particular valuation task, and how to apply the technique in practice.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Write a report valuing the equity of a mid-capitalization company listed on the Australian Securities Exchange

Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.

Apply valuation techniques to real world valuation problems.

Explain the principles and theory behind each valuation technique

## General Assessment Information

Assessment criteria for all assessment tasks will either be provided on the unit iLearn site or students will be advised directly by email. It is the responsibility of students to view their marks

for each within session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

## Assessment Tasks

Name	Weighting	Due
<a href="#">Diagnostic Quiz</a>	5%	Week 4
<a href="#">Presentation</a>	10%	Weeks 4, 6 & 8
<a href="#">Report</a>	30%	Week 10 (refer to iLearn)
<a href="#">Final Examination</a>	55%	University Examination Period

### Diagnostic Quiz

Due: **Week 4**

Weighting: **5%**

Online iLearn Quiz to assess student progress in the course. Multiple choice using short calculations (approx. 1 hour duration). The online test will be released in week 3 and must be completed by week 4. Exact times and dates of the test will be advised in class and by iLearn message (student email).

Please use this assessment as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date on Friday of week 4.

Extensions.

No extensions will be granted. Students who have not submitted the quiz prior to the deadline will be awarded a mark of 0 for the quiz, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Explain the principles and theory behind each valuation technique

## Presentation

Due: **Weeks 4, 6 & 8**

Weighting: **10%**

**Important - Every student must participate each of the 3 group presentations so that individual student contribution to the group presentations can be identified.**

Group Presentations are in the form of a slide presentation to be delivered to the class. The presentation should be no more than 5 slides or 10 minutes in duration and can include information sourced from the internet.

Group Presentation in Week 4.

A presentation on the mid-capitalization stock selected for the Group Business Valuation Report. This presentation is not analytical but should include public information available on internet about the selected stock.

Group Presentation in Week 6.

A preliminary analysis of the stock selected for valuation. The preliminary analysis should briefly examine the industry of each stock, a brief review of financial market news for each stock, a brief review of past financial statements of each stock and a statement of the future business strategy for each stock. The report should also include a calculation of the Weighted Average Cost of Capital (WACC) of the stock.

Group Presentation in Week 8

(This report may be longer in duration but should not exceed 15 minutes).

A detailed analysis of the stock selected for valuation. The detailed analysis should examine:

1. The economic environment of the company's industry.
2. An Analysis of the company's industry using Porter's 5 Forces.
3. An assessment of the company's industry/business strategy.
4. A free cash flow (FCFF & FCFE) valuation of the company.

Extensions

No extensions will be granted. Groups who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.
- Apply valuation techniques to real world valuation problems.
- Explain the principles and theory behind each valuation technique

## Report

Due: **Week 10 (refer to iLearn)**

Weighting: **30%**

**Important - The report should contain an appendix that details the contribution of each student so that individual contributions to the report can be identified.**

Students groups will write a report valuing a mid-capitalization company listed on the Australian Securities Exchange (ASX). The style of the report (examples provided) will be a detailed valuation report for a commercial client. The assignment will be marked on presentation and technical veracity. Students will be required to identify their individual contribution to the group assignment.

### Submission

The group assignment is worth 30% and must be submitted electronically via iLearn. Submission of the group assignment will be in semester academic week 10. Students will be advised in class of the format of the group assignment and the exact date and time of the group assignment submission deadline.

### Late Report Submission

No extensions will be granted. Late reports will be accepted up to 72 hours after the submission deadline. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20%penalty). This penalty does not apply for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Write a report valuing the equity of a mid-capitalization company listed on the Australian Securities Exchange
- Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.
- Apply valuation techniques to real world valuation problems.
- Explain the principles and theory behind each valuation technique

## Final Examination

Due: **University Examination Period**

Weighting: **55%**

A 3 hour final examination for this unit will be held during the University Examination period. The AFIN838 examination will be an open book examination. Students will be permitted to take the text-book (Damodaran) and 4 (four) A4 pages of prepared notes containing reference material printed on both sides. The reference material on the 4 pages may be handwritten or typed. The pages will not be returned to you at the end of the final examination. into the examination. The

examination will consist of multiple choice questions and written questions requiring longer, more complex and calculated answers

On successful completion you will be able to:

- Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.
- Explain the principles and theory behind each valuation technique

## Delivery and Resources

### Classes

- There are 13 weekly sessions of 3 hours each consisting of 1 X 2 hour lecture and 1 x 1 hour tutorial
- See timetable for classes on the University web site at: <http://www.timetables.mq.edu.au/>
- All students are to attend all classes (including tutorials) except in cases of illness or unexpected events of a serious nature (eg family bereavement).

### Required Textbook

**"Damodaran on Valuation" by Aswath Damodaran.**

ISBN: 978-0471751212

The text is available from the Macquarie University Co-op Bookshop. You can also check the 2<sup>nd</sup> hand bookshop or search online.

### Technology Used and Required

Students will require a calculator (scientific or financial) capable of handling exponents. Simple financial functions (as found on financial calculators) will not be required. If the calculator is to be used in exams then it must **NOT** be capable of storing text or formulae **OR** it must easily be demonstrated that all memory has been cleared.

Students must be familiar with spreadsheet technology (eg MS Excel or equivalent)

### Unit Web Page

Course material is available on the learning management system at <http://iLearn.mq.edu.au>

You are strongly encouraged to regularly visit the website and use it as a resource centre to assist with your learning. All lecture material and examples, homework questions and answers, administration issues, and supplementary readings will be available on this site as the course progresses.

If you are unable to access the website because you are not aware of or have forgotten your username and password, please contact the IT helpdesk. All information can be found at <http://i>

[informatics.mq.edu.au/help/](http://informatics.mq.edu.au/help/)

With regards to assistance in using iLearn please visit the following link. [http://www.mq.edu.au/iLearn/student\\_info/index.htm](http://www.mq.edu.au/iLearn/student_info/index.htm)

You can follow the tabs on the left, i.e., “Getting Started” and “Access iLearn”

Please remember to log out when you have finished using iLearn. Failure to do so could result in unauthorised access to your iLearn account.

### Teaching and Learning Activities

Contact sessions are three hours. The first two hours will introduce new material in a lecture format. The final hour will be a tutorial to review completed material, assignments and to answer more detailed student questions. There will be a short break before the tutorial session.

***Students are required to prepare for each lecture by reading the material set from the required textbook, and to complete the homework assignment to be discussed in tutorial.***

Students are encouraged to ask questions, initiate discussions, and provide input from relevant personal experience.

### Changes Since the Last Offering of this Unit

This unit was last offered in 2016 semester 1 (last semester). There is no longer a requirement to pass the examination to pass the unit.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

**New Assessment Policy in effect from Session 2 2016** [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html). For more information visit [http://students.mq.edu.au/events/2016/07/19/new\\_assessment\\_policy\\_in\\_place\\_from\\_session\\_2/](http://students.mq.edu.au/events/2016/07/19/new_assessment_policy_in_place_from_session_2/)

Assessment Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html) *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).

## Supplementary Exams

Further information about supplementary exams, including dates, is available here:

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/special\\_consideration](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.



## Graduate Capabilities

### PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

#### Learning outcomes

- Write a report valuing the equity of a mid-capitalization company listed on the Australian Securities Exchange
- Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.
- Apply valuation techniques to real world valuation problems.
- Explain the principles and theory behind each valuation technique

#### Assessment tasks

- Diagnostic Quiz
- Presentation
- Report
- Final Examination

### PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

#### Learning outcomes

- Write a report valuing the equity of a mid-capitalization company listed on the Australian Securities Exchange
- Evaluate business valuation techniques to determine the most appropriate technique for the specific valuation task.
- Apply valuation techniques to real world valuation problems.

#### Assessment tasks

- Presentation
- Report

- Final Examination

## PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

### Learning outcomes

- Write a report valuing the equity of a mid-capitalization company listed on the Australian Securities Exchange
- Explain the principles and theory behind each valuation technique

### Assessment tasks

- Presentation
- Report
- Final Examination

## Research and Practice

This focus of this unit is to teach students to value a company. This involves research to discover all available accounting, financial and economic information about a target company. Students must then synthesize this information into a valuation of the target company. This is practically achieved by the preparation and submission of a group business valuation report on a mid-capitalization stock listed on the Australian Securities Exchange (ASX). The report is in the format of an extended broker research report (examples provided) that is prepared for sophisticated (institutional) investors. The valuation report uses Discounted Cash Flow (DCF) techniques to value the target company.

In order to prepare the report, students will perform the following tasks:

1. An analysis economic environment of the company's industry.
2. An analysis of the company's industry using Porter's 5 Forces.
3. An assessment of the company's future business strategy.
4. An historical analysis of the company's financial statements
5. A free cash flow (FCFF & FCFE) valuation of the company.

All of these tasks require Research to discover the relevant valuation information; and Practice to evaluate the information and synthesize it for inclusion in the valuation report.