



AFCP860

Applied Business Valuation

AFC Term 2 MB 2019

Department of Applied Finance

Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>General Assessment Information</u>	3
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	6
<u>Unit Schedule</u>	8
<u>Learning and Teaching Activities</u>	11
<u>Policies and Procedures</u>	11
<u>Graduate Capabilities</u>	13
<u>Important Notice</u>	15

Disclaimer

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

General Information

Unit convenor and teaching staff

Lecturer

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Contact via Email

Credit points

2

Prerequisites

(Admission to MAppFin or MAppFin(Adv) or GradDipAppFin) and ECFS866

Corequisites

Co-badged status

Unit description

This unit will give students a taste of the range of assignments encountered in a career in valuations. The course will be equally useful for those who might commission or use valuations such as company directors, chief financial officers, company secretaries, corporate advisors and equity analysts. The course will equip students to value portfolio and controlling interests in both public and private companies. We will also examine the specific nuances of performing valuations for mergers and acquisitions vs independent expert's reports vs financial reporting vs taxation purposes. The course starts with an overview of the Australian and international standards and regulations that apply to valuations in Australia. We then examine the most common circumstances that give rise to the need for a valuation. Finally, we look at what is involved in giving expert evidence in court. The objective of this unit is to build on valuation skills from Corporate Finance, and present new theory in a practical way through discussion and analysis of case studies that represent real-life situations. Students will have access to S&P Capital IQ.

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:

Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.

Critically evaluate specific valuation issues in a range of professional contexts.

Prepare and effectively communicate recommendations concerning a valuation assignment.

Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

General Assessment Information

To pass this unit the student needs to (1) Achieve an aggregate mark of 50 or more, and; (2) Pass the Final Exam.

Assessment Tasks

Name	Weighting	Hurdle	Due
Pre-unit Quiz	10%	No	Before first class
Assignment	30%	No	Refer to iLearn
In Class Participation	10%	No	Ongoing
Final Exam	50%	Yes	Refer to Timetable

Pre-unit Quiz

Due: **Before first class**

Weighting: **10%**

Summary of Assessment Task

Individual / Group: Individual.

Due Date: Before first class.

Submission Method: In iLearn.

Duration: Refer to iLearn.

Extension Requests:

- You are expected to make yourself available for assessment during the relevant quiz window.
- Students who do not submit this task by the due date and time receive a result of zero. This penalty does not apply when an application for Special Consideration has been made and approved.
- Students who do not attempt the quiz receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and

approved.

- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at www.mafc.mq.edu.au for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Critically evaluate specific valuation issues in a range of professional contexts.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Assignment

Due: **Refer to iLearn**

Weighting: **30%**

Summary of Assessment Task

Individual / Group: Individual. (Group discussion allowed before submission.)

Due Date: Refer to the unit's iLearn site.

Submission Method: Online via Turnitin on iLearn site.

Duration: Refer to Assignment Coversheet.

Extension Requests:

- No extensions will be granted. 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 incurs a 20% penalty). This penalty does not apply for cases in which an application for Special Consideration is made and approved.
- Late submissions will be accepted up to 96 hours after the due date and time.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at www.mafc.mq.edu.au for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Describe the regulatory and legal environment for undertaking valuations in Australia,

and be able to assess the impact of these requirements.

- Prepare and effectively communicate recommendations concerning a valuation assignment.

In Class Participation

Due: **Ongoing**

Weighting: **10%**

Summary of Assessment Task

Individual / Group: Attendance, group & individual presentation, and participation in class discussion.

Due Date: Refer to the unit's iLearn site.

Submission Method: In class.

Duration: Ongoing.

Extension Requests:

- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at www.mafc.mq.edu.au for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)

Summary of Assessment Task

Individual / Group: Individual.

Due Date: Refer to Timetable.

Submission Method: As per MAFC Program Rules at www.mafc.mq.edu.au

Duration: 2 hours plus 10 minutes reading time.

Examination Conditions:

- All examinations are closed book.
- Calculators. Permitted calculators are noted under 'Calculators' below.
- Exam times and locations are noted in the unit timetable at www.mafc.mq.edu.au.
- Refer to MAFC Program Rules at www.mafc.mq.edu.au.

Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at www.mafc.mq.edu.au.
- Deferral of an examination is not permitted unless an application for Special Consideration is made and approved.
- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at www.mafc.mq.edu.au for information on the University's [Special Consideration Policy](#) or non-attendance at an examination.

On successful completion you will be able to:

- Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 20 hours.

Timetable: Detailed timetable for classes are on the Centre's website at www.mafc.mq.edu.au

Consultation Times:

Students who wish to contact any of the teaching staff may do so through:

- Individual consultation with the lecturer by email in the first instance, if necessary; or
- iLearn forums, in relation to general queries (so that all students may benefit).

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Text: Nil.

Additional Readings:

- Additional readings are included in the unit notes and via the Library and iLearn.
- Students are encouraged to refer to external websites that are provided in the notes.
- Students should assume these readings are examinable unless otherwise advised.

Lecture Notes: Available in printed form and electronically via iLearn.

Useful References: Will be provided as part of the notes.

Calculators:

- A financial calculator that can handle time value of money calculations, logs and power functions may be of assistance.
- The Hewlett Packard calculator hp17bII+ is recommended.
- In examinations, hand held calculators, mobile phones and computers are not permitted.

Assumed Knowledge:

- Students should look at the web link below to obtain notes on the minimum mathematical and statistical knowledge required to undertake the Master of Applied Finance degree: <http://mafstudents.mq.edu.au/new-to-mafc/pre-course-materials/>

Assumed Access:

- Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.
- Email access.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on ***AFCP860 Applied Business Valuation***.
- This is where you will find links to forums, downloadable resources and other important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.

- You are requested to post your questions to the forum at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**

Important Notice:

- It is important that you familiarise yourself with the unit's iLearn site.
- Students should check the unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

Unit Schedule

1. OVERVIEW OF AUSTRALIAN & INTERNATIONAL STANDARDS & REGULATIONS AFFECTING VALUATIONS

We start by looking at the regulatory environment for valuations in Australia. By considering each of the main regulators in turn, we will look at the circumstances where a valuation may be subject to regulation and the different valuation approaches that are prescribed by each regulator.

Key learning outcomes:

- Understand the regulatory environment for valuations in Australia.
- Discuss the role of the International Valuations Standards Council and Accounting Professional & Ethical Standards Board and review relevant standards.
- Understand circumstances where valuations are mandated by regulatory and other authorities including: Australian Securities & Investments Commission, Australian Accounting Standards Board, Australian Taxation Office, Office of State Revenue, and review relevant standards and/or legislation.
- Understand circumstances where valuations may be required in Court.

2. VALUING PRIVATE COMPANIES VS PUBLIC COMPANIES

We review some of the nuances of valuing private companies as opposed to public companies - where information is much more difficult to obtain and generally not of the same quality. We also look at how to deal with the additional risks typically inherent in private companies.

Key learning outcomes:

- Understand the key challenges of valuing private companies and how best to deal with them.
- Understand financial reporting and corporate governance requirements of private companies.
- Normalisation of earnings and review of forecasts.

- Determining appropriate earnings multiples/discount rates, particularly where there are few or no comparable listed companies.
- Review discounts applicable to private company valuations.

3. VALUING PORTFOLIO INTERESTS VS CONTROLLING INTERESTS

We look at the key differences between portfolio interests and controlling interests in companies, and how we account for the differences in value. We also consider empirical evidence on control premiums paid in takeover transactions.

Key learning outcomes:

- Understand the differences between portfolio interests and controlling interests, and why their valuations might be different.
- Understand the different types of portfolio interests.
- Understand how control premiums can be calculated from market data.
- Review and analyse empirical evidence on historical levels of control premiums.
- Understand the interaction between control premiums and synergies.
- Understand how minority discounts can be derived from control premiums.
- How and where to apply control premiums/minority discounts in valuations.

4. VALUATIONS FOR MERGERS & ACQUISITIONS

We discuss valuations in a merger and acquisition context – where they fit into the process and how they might impact on due diligence and the ultimate deal structure.

Key learning outcomes:

- Understand the importance of valuations in mergers & acquisitions.
- Overview of a typical acquisition process.
- Indicative valuations to support non-binding offers.
- Understand how due diligence findings can impact valuations.
- Understand common strategies used to bridge valuation gaps in merger & acquisition transactions.

5. INDEPENDENT EXPERT'S REPORTS

We will discuss the circumstances in which it is advisable to commission Independent Expert's Reports and review the key requirements of preparing Independent Expert's Reports. We will review various examples of past Independent Expert's Reports and undertake an in-depth group case study of a few Independent Expert's Report.

Key learning outcomes:

- Understand the circumstances in which an Independent Expert's Report is mandatory or

recommended.

- Understand the main requirements of ASIC in the commissioning of experts and the preparation of Independent Expert's Reports.
- Review of ASIC Regulatory Guide 111.
- Discuss independence requirements of experts.
- Understand the requirements for commissioning third party experts.

6. VALUATIONS FOR FINANCIAL REPORTING

We will discuss the importance of valuations in the context of the global move towards fair value reporting and look at examples of accounting standards that provide specific valuation guidance. We will look at public company annual reports as an example of how valuation information in respect of key balance sheet and income statement items is disclosed.

Key learning outcomes:

- Discuss the concept of fair value reporting.
- Understand the main circumstances where valuations are required in financial reporting.
- Review of specific situations requiring valuations including share based payments, purchase price allocations and impairment reviews.
- Discuss other situations where accounting standards provide valuation guidance.

7. VALUATIONS FOR TAXATION PURPOSES

We will discuss the importance of valuations in tax compliance and review a range of scenarios that may require valuations such as tax restructures, divestments, tax consolidations and employee share schemes. We will look at the Australian Taxation Office's (ATO) Market Valuation Guidelines on how valuations for taxation purposes should be performed.

Key learning outcomes:

- Understand the types of circumstances in which valuations are required for taxation purposes.
- Understand the main requirements of the ATO in the commissioning of valuations by taxpayers.
- Review of the ATO's Market Valuation Guidelines.
- Review ATO valuation requirements for employee share schemes.

8. THE VALUER AS AN EXPERT WITNESS

We will look at some of the circumstances that may require a valuer to provide a written expert report for Court or give oral evidence in Court, and practically how these things are done.

Key learning outcomes:

- Understand the role of an expert witness.

- Understand the types of circumstances where a valuer might be called upon to be an expert witness.
- Review the process for appointing experts and receiving instructions.
- Understand the main requirements of written expert reports for Court.
- Understand what is required when giving oral evidence.
- Review relevant case law.

Learning and Teaching Activities

Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the term. This is encouraged through a combination of students undertaking prescribed reading throughout the units and/or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his/her understanding of the learning objectives achieved through the continuous learning.

Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Emails and/or interacting on the Course Forum; and (d) Completing all assessment tasks and exams. On average, the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct>

Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

Students should also consult the MAFC Program Rules found at <http://www.mafc.mq.edu.au>

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) 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 enquiry service (MAFC-specific)

For all student enquiries, please contact studentsupport@mafc.mq.edu.au

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.

Learning Skills

Learning Skills (http://www.students.mq.edu.au/support/learning_skills/) 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 Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

If you are a Global MBA student contact globalmba.support@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/.

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 - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

Learning outcomes

- Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.
- Critically evaluate specific valuation issues in a range of professional contexts.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Assessment tasks

- Pre-unit Quiz
- Assignment
- In Class Participation
- Final Exam

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.
- Critically evaluate specific valuation issues in a range of professional contexts.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Assessment tasks

- Pre-unit Quiz
- Assignment
- In Class Participation
- Final Exam

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

- Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.
- Critically evaluate specific valuation issues in a range of professional contexts.
- Prepare and effectively communicate recommendations concerning a valuation assignment.
- Identify and describe the key differences between valuation of publicly listed and private companies, and between portfolio and controlling interests.

Assessment tasks

- Pre-unit Quiz
- Assignment
- In Class Participation
- Final Exam

Important Notice

This Unit Guide may be subject to change. Students will be advised, via an "Announcement" on iLearn, if the Unit Guide is changed.

The latest version is available at <https://unitguides.mq.edu.au/>.

Students should read the Unit Guide carefully at the start of term. It contains important information about the unit. If anything is unclear, please consult one of the unit lecturers.