



# AFCP8060

## Applied Business Valuation

AFC term 4, Special circumstance 2020

*Department of Applied Finance*

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#### **Notice**

As part of [Phase 3 of our return to campus plan](#), most units will now run tutorials, seminars and other small group learning activities on campus for the second half-year, while keeping an online version available for those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face and online activities for your unit, please go to [timetable viewer](#). To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

## General Information

Unit convenor and teaching staff

Manda Trautwein

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Contact via Email

Credit points

5

Prerequisites

ECFS866 or AFCP8003

Corequisites

Co-badged status

Unit description

This unit introduces students to a range of assignments encountered in a career in valuations. The unit 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. It will equip students to value portfolio and controlling interests in both public and private companies. The specific nuances of performing valuations for mergers and acquisitions vs independent expert's reports vs financial reporting vs taxation purposes are examined. The unit 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:

**ULO1:** Critically evaluate specific valuation issues in a range of professional contexts.

**ULO2:** Prepare and effectively communicate recommendations concerning a valuation assignment.

**ULO3:** Identify and describe the key differences between the valuation of publicly listed and private companies, and between portfolio and controlling interests.

**ULO4:** Describe the regulatory and legal environment for undertaking valuations in Australia, and be able to assess the impact of these requirements.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Pre-class Quiz</a>	10%	No	Before first class
<a href="#">Participation</a>	10%	No	Refer to iLearn
<a href="#">Assignment</a>	30%	No	Refer to iLearn
<a href="#">Online Final Examination</a>	50%	No	University Exam Period

### Pre-class Quiz

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 5.00 hours

Due: **Before first class**

Weighting: **10%**

Pre-class quiz to be completed in iLearn prior to first classes.

On successful completion you will be able to:

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

### Participation

Assessment Type <sup>1</sup>: Participatory task

Indicative Time on Task <sup>2</sup>: 2 hours

Due: **Refer to iLearn**

Weighting: **10%**

Group and individual presentation, and participation in class discussion.

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 the valuation of publicly listed and private companies, and between portfolio and controlling interests.

## Assignment

Assessment Type <sup>1</sup>: Case study/analysis

Indicative Time on Task <sup>2</sup>: 12 hours

Due: **Refer to iLearn**

Weighting: **30%**

A case study of up to 2,500 words requiring valuation and interpretation of results for a specific project or company.

On successful completion you will be able to:

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

## Online Final Examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 12 hours

Due: **University Exam Period**

Weighting: **50%**

A two-hour online examination will be held during the Term's Exam Week.

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 the valuation of publicly listed and

private companies, and between portfolio and controlling interests.

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<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## **Delivery and Resources**

### **CLASSES**

**Online Teaching:** Generally 20 hours.

**Timetable:** Detailed timetable for classes are available at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

#### **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 available via the Library and iLearn.
- Students are encouraged to refer to external websites that are mentioned in the notes.
- Students should assume these readings are examinable unless otherwise advised.

**Lecture Notes:** Available 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.

### 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.
- Access to the internet.
- Email access.

## TECHNOLOGY USED AND REQUIRED

### Unit iLearn Site:

- Found by logging on to iLearn [ilearn.mq.edu.au](http://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:

- 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 Reports.

### 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.

## 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.*)

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](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## 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](https://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto: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/](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.