



# AFIN838

## Business Valuation

S1 Day 2017

*Dept of Applied Finance and Actuarial Studies*

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## General Information

Unit convenor and teaching staff

Unit Convenor

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E4A - 5.17

Consultation hour: Refer to iLearn

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Consultation hour: Refer to iLearn

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Credit points

4

Prerequisites

ACCG611 or AFCP613 or ACST603 or AFIN858

Corequisites

Co-badged status

Unit description

This unit develops students' abilities to conduct equity valuation for investment purposes. This advanced module introduces the techniques used by equity financial analysts to measure the worth of a company and its investments. Students assume the role of a financial analyst and learn the mechanics of financial valuation by: performing industry and financial analysis, measuring accounting quality, estimating discount rates, forecasting cash flows, and ultimately issuing a buy/hold/sell recommendation on the firm based on the estimated target price.

## 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 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	Hurdle	Due
<a href="#">First Online Quiz</a>	5%	No	Friday 24 March 2017 (5:00pm)
<a href="#">Second Online Quiz</a>	10%	No	Saturday 6 May 2017
<a href="#">Final Examination</a>	55%	No	University Examination Period
<a href="#">Report</a>	30%	No	Week 12 (refer to iLearn)

## First Online Quiz

Due: **Friday 24 March 2017 (5:00pm)**

Weighting: **5%**

The first online iLearn Quiz aims to assess student progress in the course. The test will comprise 5 multiple choice questions (approximate duration: 15 minutes). The online test must be completed by 5:00pm Friday 24 March 2017. More information concerning the test will be provided in class and on iLearn.

Extensions.

No extensions will be granted. Students who have not submitted the quiz by the due date 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

## Second Online Quiz

Due: **Saturday 6 May 2017**

Weighting: **10%**

The second online iLearn Quiz aims to assess student progress in the course. The test will comprise 10 multiple choice questions (approximate duration: 30 minutes). The online test will open at 7:00pm on Saturday 6 May 2017 and must be completed by 8:00pm of the same day. More information concerning the test will be provided in class and on iLearn.

Extensions.

No extensions will be granted. Students who have not submitted the quiz by the due date 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

## 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 a closed-book examination. Students will be permitted to take *ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned at the end of the final 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

## Report

Due: **Week 12 (refer to iLearn)**

Weighting: **30%**

**Important - The assignment will comprise 5 questions. Each student in the team must select one question of the group report to show the individual contribution to the overall report. The cover sheet (or appendix) of the report should indicate clearly the contribution of each student.**

Students groups will write a report valuing a company listed on the Australian Securities Exchange (ASX). The style of the report (examples will be provided on iLearn) will be a detailed valuation report for a commercial client. The assignment will be marked on the quality of the report and its technical veracity.

### 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 13. 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 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

## Delivery and Resources

### Classes

- There are 13 weekly sessions of 3 hours.
- See timetable for classes on the University web site at: <http://www.timetables.mq.edu.au/>
- All students are to attend all classes 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://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. There will be one short break during the session.

**Students are required to prepare for each lecture by reading the material set from the required textbook.**

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

### **Changes Since the Last Offering of this Unit**

None

## **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)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.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 (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

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 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

- First Online Quiz
- Second Online Quiz
- Final Examination
- Report

## 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 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

- Final Examination
- Report

## 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 company listed on the Australian Securities Exchange
- Explain the principles and theory behind each valuation technique

## Assessment tasks

- Final Examination

- Report

## 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.