



***GRADUATE ACCOUNTING AND COMMERCE CENTRE***

***DIVISION OF ECONOMIC AND FINANCIAL STUDIES***

**ACCG 838**

**BUSINESS VALUATION**

***UNIT OUTLINE***

**July 2007**

## ACCG 838 BUSINESS VALUATION

*Assumed Knowledge: At least one undergraduate unit in each of corporate finance and financial accounting.*

### Description

The valuation of businesses is a core issue for management and affects many management decisions. For example: when deciding to sell part of the current operation, or when acquiring a new entity, or when forming a view of the current share price during a restructure of the capital base of the business.

This course examines some of the many techniques commonly employed in assessing the value of whole businesses and individual parts of businesses, and how to select an appropriate technique for a particular valuation task. The focus is on establishing **the principles that underlie each of the valuation methods** and these are demonstrated by application to simple examples. Students will have a firm basis for further study into the valuation of real world complex businesses and will understand the questions that need to be asked and answered. This course does **NOT** attempt to raise student ability to that of a competent valuer, nor does it seek to value a real public listed company.

### Topics

The weekly schedule is attached. The schedule may be varied depending on speed of progress.

### Assessment

- Interim Exam                      One hour . Closed book.
  - Final exam                              Three hours . Closed book.
- A pass in the final exam is required to pass the course.

### Text

Loneragan W., *The Valuation of Businesses, Shares and Other Equity*, (Business and Professional Publishing 4th Edition).

Bishop, Crapp, Faff, Twite. *Corporate Finance* (Holt, Rinehart and Winston 3<sup>rd</sup> Edition) is **recommended** for those weak in corporate finance.

### Lecture Format

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.

### Staff

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## COURSE SCHEDULE

In addition to text reading (Loneragan) there may be handouts and weekly examples to complete for homework.

The weekly workload is expected to be 10 hours including time in lectures.

WEEK	DATE	TOPIC	TEXT READING
1		Course overview. Theory of markets, law of one price, perfect competition, market efficiency, probability distributions. Basic PV formula.	
2		Deriving multi-period general PV formula. Extensions and simplifications.	Chapt 1, 3
3		Valuation of basic securities. Dividend imputation. CAPM and beta.	Chapt 6, 8
4		General WACC and Free Cash Flow models.	Chapt 28, 29 (General Reading)
5		MM model, inflation. "Cook book" method of PV valuation of businesses.	Chapt 31, 32 (General Reading)
6		<b>INTERIM EXAM</b> Discounting equity cash flows. Variable leverage and TCS. Acquisitions and divestments. <b>MID TERM BREAK</b>	Chapt 7, 9
7		American option pricing with intermediate cash flows. BS model. Binomial model. Valuation of hybrids.	<b>Chapt 11</b>
8		Valuation by using multiples. How to develop a multiple. Future Maintainable Earnings. Estimating PE multiples.	Chapt 2, 17
9		Future Maintainable Dividends. Liquidity issues. Private companies.	Chapt 4, 5
10		Asset based valuations. Book and market values. Tax issues. Going concern. Liquidation. Sale of the business. Intangibles.	Chapt 14, 15
11		Partly paid shares. Group issues. Inter-group assets/liabilities. Cross shareholdings.	Chapt 10, 13
12		Summary of course. Spare	
13		<b>FINAL EXAM</b>	