



ACCG838 Business Valuation Unit Outline[†]

Division of Economic and Financial Studies

Semester 2, 2008

[†]ver: 1.0, July 2008

1 About This Unit

This unit aims to provide you with an analysis and valuation framework that with the inclusion of financial statement information can be used in both project and business (enterprise) valuation.

This unit introduces the concepts affecting the economic realities of the modern corporation such as acquiring productive capacity through internal growth which requires the evaluation of project value, and through acquisitions of operating business units, which requires the evaluation of enterprise value. The unit is highly practical and takes a holistic approach to valuation.

Upon successful completion of this unit you will:

1. understand the various methods and issues associated with project and business valuation; and
2. be able to apply the valuation tools in a practical setting.

2 Assumed Knowledge

1. At least one undergraduate unit in each of corporate finance and financial accounting

3 Teaching Staff

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* Consultation hours will be available on the unit website

4 Classes

Students are required to attend one two hour lecture and subsequent one hour tutorial to be held on Fridays from 2pm - 5pm in E5A116 each week of semester.

Note that lectures are designed to be interactive thus the length of ‘tutorial’ may vary each week.

5 Prescribed Text

Valuation: The Art & Science of Corporate Investment Decisions by Sheridan Titman and John D. Martin, 1st Edition, John Wiley, 2008. ISBN 0-321-33610-0

6 Assessment

Your final grade will be determined by your performance during semester as follows:

Assessment Weightings for Final Grading	
Tutorial Homework	10%
Interim Exam	30%
Final Exam	60%

TUTORIALS AND HOMEWORK

1. Attendance at tutorials is compulsory. Tutorials are run to discuss problems with students who have **attempted** assigned tutorial questions beforehand. Tutorials are not a session for mindlessly copying down solutions but an opportunity for class participation. Solutions to tutorial questions will be made available on BlackBoard at the end of the week following the relevant tutorial.

2. You are strongly advised to attempt all assigned tutorial questions before the weekly tutorial class, and also before consulting the solutions. It is very easy to be lulled into a false sense of security by simply reading questions and looking at the solutions.
3. Twice during the semester tutorial questions will be randomly collected / checked at the beginning of your tutorial. If for unforeseen circumstances you cannot attend your allocated tutorial for any week during semester then you **must** email your tutorial questions to your tutor prior to the date of your tutorial, remembering to include your full name, student number and tutorial day and time. Without a valid medical certificate each tutorial questions not received by the due date will receive zero (0). Tutorial questions will be marked out of five (5) on the basis of effort; where a non-attempt receives zero (0), average effort receives three (3) and and above average effort receives five (5).

If for any reason you cannot attend a tutorial you **must** email me your assignment prior to the time of the tutorial, remembering to include your full name, student number to ensure that you do not lose marks for tutorial homework.

INTERIM EXAM The interim exam for this unit is 90 minutes long and will cover all material from Weeks 1 - 5. You are not to permitted to bring any written material into the testing room for the interim exam. The location of the interim exam will be the normal allocated lecture room for ACCG838 in Week 7 (E5A116), unless otherwise advised. The start time will be 2:05pm Friday, 19th November 2008.

FINAL EXAM

The final exam for this unit is three (3) hours long. All material covered during semester will be examinable. *You will be permitted to bring into the testing room a single-sided A4 page with any hand written material you may require for the final exam.* The final exam will be held in the allocated room (E5A116) and normal lecture/tutorial time slot for ACCG838 in Week 13 of the semester, unless otherwise advised. The start time will be 2:05pm Friday, 14th November 2008.

To pass the unit you must achieve a satisfactory level of performance in *both* the interim exam and the final exam.

Non-programmable calculators may be used in the final exam. **The Texas Instruments BA-II Plus Financial Calculator is recommended.** You are not permitted to use dictionaries in the final exam.

Note: Supplementary exams will **NOT** be granted under any circumstances should your course work be unsatisfactory i.e. less than 45%.

The timetable will be available in draft form approximately eight weeks before the commencement of the examinations and in final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at: **<http://www.reg.mq.edu.au/Forms/APSCon.pdf>**

If a Supplementary Examination is granted as a result of the Special Consideration process, the examination will be scheduled after the conclusion of the official examination period. You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is, the final day of the official examination period.

No aids, other than a pen and pencil, may be brought into an exam unless specifically permitted by the Convenor. The following are expressly forbidden: mobile phones, computers, Ipods, PDAs, MP3s and any other electronic aid, and books.

7 Lecture Topics, Reading and Tutorial Assignments

IMPORTANT: If I become aware of any errors in the lecture notes, tutorial solutions or any other document I will correct the problem as soon as possible, post an update and flag the revision on the web page. I place a version number on all documents so you can easily ensure you have the latest version of all

matarials.

Week 1: Overview of Valuation (*Week beginning August 4, 2008*)

Reading: Chapter 1.

Tutorial Questions due Week 2: Case Study/Discussion Questions from Business Valuation and Valuation IFRS Edition - The role of capital market intermediaries in the dot-com crash of 2000; and The Air France-KLM Merger
**Available on BlackBoard*

Week 2: Project Analysis Using Discounted Cash Flow (*Week beginning August 11, 2008*)

Reading: Chapter 2.

Tutorial Questions due Week 3: 2-1, 2-2, 2-7, and 2-9

Week 3: Project Risk Analysis (*Week beginning August 18, 2008*)

Reading: Chapter 3.

Tutorial Questions due Week 4: 3-1, 3-2, 3-4, and 3-10

Week 4: Estimating a Firm's Cost of Capital (*Week beginning August 25, 2008*)

Reading: Chapter 4.

Tutorial Questions due Week 5: 4-1, 4-3, 4-5, and 4-7

Week 5: Estimating Required Rates of Return for Projects (*Week beginning September 1, 2008*)

Reading: Chapter 5.

Tutorial Questions due Week 6: 5-1, 5-2, 5-4, and 5-8

Week 6: Relative Valuation using Market Comparables (*Week beginning September 8, 2008*)

Reading: Chapter 6.

Tutorial Questions due Week 8: 6-1, 6-3, 6-4, 6-7, and 6-8

Week 7: Interim In-Class Exam (*Week beginning September 15, 2008*)

No tutorial this week

Mid-Semester Break (*September 20 - October 5, 2008*)

Week 8: Enterprise Valuation (*Week beginning October 6, 2008*)

Reading: Chapter 7.

Tutorial Questions due Week 9: 7-1, 7-3, 7-6, and 7-7

Week 9: Valuation in a Private Equity Setting (*Week beginning October 13, 2008*)

Reading: Chapter 8.

Tutorial Questions due Week 10: 8-1, 8-3, 8-5, and 8-7

Week 10: Earnings Dilution, Incentive Compensation and Project Selection (*Week beginning October 20, 2008*)

Reading: Chapter 9.

Tutorial Questions due Week 11: 9-1, 9-2, 9-4, and 9-5

Week 11: Strategic Options: Evaluating Strategic Opportunities (*Week beginning October 27, 2008*)

Reading: Chapter 12.

Tutorial Questions due Week 12: 12-1, 12-2, 12-3, 12-4, and 12-5

Week 12: Review (*Week beginning November 3, 2008*)

Week 13: Final In-Class Exam (*Week beginning November 10, 2008*)

LECTURE NOTES: will be available on the web, prior to the lecture - usually the week before the lecture. Log in to the unit web page on BlackBoard from: <http://learn.mq.edu.au> and check the page regularly for updates.

The lecture notes define the unit content; the textbooks should be viewed as a supplement to the lecture notes. As a general rule, if the textbook covers material that is not mentioned in the lectures, it will only be examinable if it is covered in one of the assigned tutorial questions.

ABOUT READINGS AND HOMEWORK: Always check the lecture notes for additional reading or additional tutorial questions. The reading guide provided above is approximate: there may be material in some of the chapters that are not covered in the unit, or there may be material in lectures not covered in the book.

8 Regarding Special Consideration

Students requesting special consideration should acquaint themselves with Bachelor Degree Rule 8 by reading the 2008 Handbook of Undergraduate Studies or visiting the website at <http://www.cal.mq.edu.au/>

Note that applications for special consideration must be accompanied by the appropriate supporting documentation - including a Professional Authority form if you are ill.

Please refer to <http://www.reg.mq.edu.au/Forms/APScons.pdf> for details of the requirements and the requisite forms.

9 Regarding Plagiarism

Please acquaint yourself with the University rules on plagiarism at <http://www.student.mq.edu.au/plagiarism/>

Please be aware that you can expect a zero tolerance approach to plagiarism or any other form of cheating in this unit. If you are caught, you will receive zero marks for your efforts and the matter will be pursued in accordance with University procedures.

10 University Policy on Grading

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG). On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

11 Student Support Services

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au/>

12 Classroom Etiquette

Students are expected to arrive on time, certainly before five minutes past the hour, and not to leave until the class ends. If you have a recurring problem that makes you late, or forces you to leave early, have the courtesy to discuss this with your lecturer/tutor.

Students are expected to be quiet during lectures unless, of course, class participation is required.