



FACULTY OF
BUSINESS AND ECONOMICS

ACCG 838

BUSINESS VALUATION

UNIT OUTLINE

Second Semester 2009

Richard Marriott

ACCG 838 BUSINESS VALUATION

Prerequisites: 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 analyse and 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 (30%) One hour. Closed book.
- Final exam (70%) Three hours. Closed book.

A pass in the final exam is required to pass the course.

Text

Lonergan W., *The Valuation of Businesses, Shares and Other Equity*, (Business and Professional Publishing 4th Edition). ISBN 1 86508 970 2

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. Copies of lecture slides, examples, and homework questions will be on the course website.

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

WEEK	DATE	TOPIC	TEXT READING
1	7 Aug	Course overview. Theory of markets, law of one price, perfect competition, market efficiency, probability distributions. Basic PV formula.	
2	14 Aug	Deriving multi-period general PV formula. Extensions and simplifications.	Chapt 1, 3
3	21 Aug	Valuation of basic securities. Dividend imputation. CAPM and beta.	Chapt 6, 8
4	28 Aug	General WACC and Free Cash Flow models.	Chapt 28, 29 (General Reading)
5	4 Sep	MM model, inflation. "Cook book" method of PV valuation of businesses.	Chapt 30, 26 (General Reading)
6	11 Sep	Discounting equity cash flows. Variable leverage and TCS. Acquisitions and divestments.	Chapt 7, 9
7	18 Sep	INTERIM EXAM American option pricing with intermediate cash flows. BS model. Binomial model. Valuation of hybrids. MID TERM BREAK	Chapt 11
8	9 Oct	Valuation by using multiples. How to develop a multiple. Future Maintainable Earnings. Estimating PE multiples.	Chapt 2, 34
9	16 Oct	Future Maintainable Dividends. Liquidity issues. Private companies.	Chapt 4, 5
10	23 Oct	Asset based valuations. Book and market values. Tax issues. Going concern. Liquidation. Sale of the business. Intangibles.	Chapt 14, 15
11	30 Oct	Partly paid shares. Group issues. Inter-group assets/liabilities. Cross shareholdings.	Chapt 10, 13
12	6 Nov	Summary of course. Spare	
13	13 Nov	FINAL EXAM	