



APPLIES TO ACADEMIC YEAR  
2001/2002

## GRA 6210 Financial Performance and Valuation

### Program

Master of Science (Financial Economics), Specialization Course

### Responsible for the course

Sverre Dyrnes

### Department

Accounting - Auditing and Law

### Term

Spring, N/A

### ECTS Credits

6

In this course we will focus on how to best interpret and analyze financial statements in order to value companies based on publicly available information. Valuations are normally based on expectations of future income and financial position. These expectations are again formed by the information contained in financial statements and in other published sources such as research reports, magazines and newspaper etc.

### Objective

The objective of this course is to provide you with an understanding of the different models for valuations of companies and to develop your skills necessary to make your own valuations through extensive casework. By working with valuations you will also be provided with skills necessary to interpret and analyze financial accounting information. .

### Prerequisites

No specific course required, but good knowledge of financial accounting and finance is valuable.

### Compulsory literature

Palepu, Krishna G., Paul M. Healy and Victor L. Bernard. 2000. *Business analysis and valuation using financial statements: Text and cases*. 2nd ed. Cincinnati, Ohio: South-Western College Publishing.

### Recommended literature

Benninga, Simon and Oded. H. Sarig. 1997. *Corporate finance: A valuation approach*. New York: McGraw-Hill.

Copeland, Thomas E., Tim Coller and Jack Murrin. 2000. *Valuation: Measuring and managing the value of companies*. 3rd ed. New York: Wiley.

### Course outline

The course can be divided into four integrated parts:

- 1. Strategy Analysis:** Strategy analysis is an important starting point for the analysis of financial statements. Strategy analysis allows the identification of the firm's profit drivers and key risks.
- 2. Financial Statement Analysis:** The information you will find in the financial statements forms the basis of almost every valuation. In this part we will entail your understanding of how to read and interpret financial statements and notes. Our primary emphasis is on how to calculate and interpret key financial ratios and on the use of cash flow statements as an analytical tool.
- 3. Building Pro-Forma Financial Statements:** We will use Excel to build simple models for expected future income, cash flow and financial position. These models will be used in part 3.
- 4. Valuation:** We will work with different models for valuation in order to create a better understanding of their advantages and limits.

### Computer-based tools

Internet and worksheets

**Course structure**

There are 30 contact hours and the course will start with lectures to create a basic understanding of how to interpret accounting information and how to use basic valuation models. During the course the students will be required to work with and to present case solutions. This will make it essential that you work with the cases to find solutions without having perfect information.

**Evaluation**

The students will be divided into groups (max. 3 in each group) and are supposed to work with the cases groupwise. Presentation of case solutions in class will weight 30% and presentation of written term paper weight 70%. Further information will be given first day of class.

**Evaluation code(s)**

GRA62101

**Aids at the examination**

Information about permitted aids will be given in first day of class

**Makeup exam**

Next time the course is offered.