GRA 6210 Business Analysis and Valuation

Program
Master of Business and Economics Program, Master of Science in Business Administration (MScBA), Master of Science (Financial Economics), Specialization Course

Responsible for the course
Sverre Dyrnes

Department
Accounting - Auditing and Law

Term
Spring

ECTS Credits
6

Objective

I this course we will focus on how to best interpret and analyze financial statements in order to value companies based on publicly available information. As a result of the Enron scandal there is an increased focus on accounting analysis. 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.

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 og 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.

Articles: A list will be provided on the first day of class

Recommended literature

Benninga, Simon Z. 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 five integrated parts:
1.   **Strategy Analysis:** Strategy analysis is an importat starting point for the analysis of financial statements. Strategy analysis allows the identification of the firm´s profit drivers and key risks.
2.   **Accounting Analysis:** The purpose of accounting analysis is to evaluate the

degree to which i firm´s accounting captures its underlying business reality.

3.   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 footnotes. 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.

4.   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 5.

5.   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 36 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. At the start of the course the students will be allocated to teams consisting of 2-3 student. During the course the teams will be required to work with and to present case solutions.

Evaluation
Term paper (80%)
One individual homework assignment/case is required to be turned in (10-15 pages).

      One hour written exam (20%)
At the end om the semester there will be an one hour written exam.

Evaluation code(s)
GRA62102 Term paper
GRA62103 One hour written exam

Aids at the examination
Financial calculator (e.g. HP 17B)

Makeup exam
Next term