



APPLIES TO ACADEMIC YEAR 2010/2011

## **GRA 6210 Business Analysis and Valuation Using Financial Statements**

### **Programme**

Master of Science in Business and Economics, Master of Science in Business and Economics (Business Law - Tax and Accounting), Specialization Course

### **Responsible for the course**

### **Department**

Department of Accounting - Auditing and Law

### **Term**

According to study plan

### **ECTS Credits**

6

### **Language of instruction**

English

### **Introduction**

Development of analyst skills entails understanding the concepts and procedures underlying generally accepted accounting principles used to prepare financial information, and for that reason some time is spent on reinforcing your knowledge of these principles. However, our primary emphasis is on valuations based on this financial information. This course provides both a sound theoretical framework for corporate valuation and a thorough discussion of how valuations are actually done in the real world.

In this course we will present the theory behind the valuation methods. We will also discuss the many different sources from which analysts can obtain information.

Equity analysis is an important task for research analysts, investment bankers, corporate finance specialists, mergers and acquisitions analysts, venture capitalists, and individual investors. Credit analysis is an important task for holders of debt.

### **Learning outcome**

The objective of this course is to help the student develop the skills necessary to do valuations and credit analysis

### **Prerequisites**

Bachelor degree qualifying for admission to the MSc Programme. GRA 6212 Financial Statement Analysis or eq.

### **Compulsory reading**

#### **Books:**

Penman, Stephen H.. 2010. Financial statement analysis and security valuation. 4th ed.

Boston, Mass. : McGraw-Hill/Irwin. Ch. 5 and 6

Stowe, John D ... [et al.]. 2010. Equity asset valuation. 2nd ed. Hoboken, N.J. : John Wiley & sons

#### **Other:**

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

### **Recommended reading**

#### **Books:**

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

Palepu, Krishna G. ... [et al.]. 2007. Business analysis and valuation : text and cases. lfrs-edition. London : Thomson

### **Course outline**

1. Equity Valuation Process
2. Discounted Dividend Valuation

3. Residual Income Valuation Techniques
4. Growth Analysis
5. Free Cash Flow Valuation Techniques
6. Market-Based Valuation: Price Multiples
7. Forecasting Performance
8. Estimating the Continuing/Terminal Value
9. Estimating the Cost of Capital
10. Advanced Topics

### **Computer-based tools**

It's learning/homepage and the Internet

### **Learning process and workload**

A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

There will be a mixture of lectures and case presentations/discussions. At the start of the course the students will be allocated to teams consisting of 2-3 students. During the course the teams will be required to work with and to present case solutions.

For all students to obtain maximum benefit from this class it is essential that each student participates. Please check It's learning before the start of the course to get the schedule. The course starts immediately at the beginning of the semester.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

### **Examination**

Your course grade will be based on the following activities and weights:

- Individual and/or group class work (in the form of a mix of some/ all of the following: hand in of case, write ups, projects, and home works; case presentations and discussions as well as class participation). This part is graded pass/fail.

- Individual written final term paper - 100% of the final ECTS grade.

All parts of the evaluation must be passed in order to obtain a grade in the course.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

### **Examination code(s)**

GRA 62104 accounts for 100 % of the final grade in the course GRA 6210.

### **Examination support materials**

There is no written exam in this course. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

### **Re-sit examination**

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional fee.

**Additional information****Honor Code**

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.