



APPLIES TO ACADEMIC YEAR 2013/2014

## ELE 3750 Financial analysis and valuation

### Programme

Elective

### Responsible for the course

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### Department

Department of Accounting - Auditing and Law

### Term

According to study plan

### ECTS Credits

7,5

### Language of instruction

Norwegian and english

### Introduction

All corporations have to prepare annual financial statements and companies listed at a stock exchange have to prepare company annual reports which contain more comprehensive information. The main purpose of the company annual report is to provide shareholders and potential investors with decision-relevant information so that they can make up their mind about

(i) the value creation during the financial year and the financial situation at the end of the financial year (the control motive)

(ii) likely future cash flows generation capabilities (valuation and credit analysis motives)

However, there are many conditions that have an impact on the numbers as well as the information that are presented in the corporate annual report. Many of these conditions might cause the financial statements to present an incomplete picture of the company's underlying economic reality. The chance that financial information might be surrounded by "noise" makes it even more important to critically assess the quality of financial information before used.

Valuations are commonly made in relation to transactions as mergers, acquisitions, demergers, transitions to next generation, IPO's, in relation to asset pricing or in relation to supervision of the value creation in companies.

Both credit analysis and valuations are based on prognosis for the company's likely future economic development and financial condition (prognosis for future income statement items, balance sheet items and cash flow items). Such

prognosis are usually, to a great extent, based on historic profit figures (time series analysis) and on other economic information about the company.

## Learning outcome

- Acquire an understanding of the financial information that a company produces in an annual report, which is relevant for the analysis and valuation of the company.
- Knowledge of what drives a company's development and a better understanding of accounting from a user perspective

### Acquired Knowledge

After completing the course, students will have:

### Acquired Skills

After completing the course, students will be able to:

- To extract relevant information from the annual report for the purpose of analyzing a company's economic development and / or valuing a company's stock.
- Make an opinion of the extent to which the company's financial information gives a good indication of the underlying economic reality of the company.

### Reflection

The course will help the students to establish an understanding of the motives that underlie accounting fraud. Furthermore, the course will help students get a healthy ethical attitude to what is financial reporting quality.

## Prerequisites

Recommended prerequisites are Financial Accounting and Financial Statement alternatively Management Accounting and Control or equivalent.

## Compulsory reading

### Books:

Petersen, Christian V. Plenborg, Thomas. 2012. Financial statement analysis : valuation, credit analysis, executive compensation. Financial Times Prentice Hall

## Recommended reading

### Course outline

1. The Corporate Annual Report - Content and Relevance
2. Accounting Standards
3. Main Accounting Issues important for Financial statement Analysis
4. Accounting Quality Analysis
5. Analysis of Historic Financial Results
6. Forecasts
7. Valuation

## Computer-based tools

The students are supposed to use a spreadsheet program (i.e. Excel) and to have access to internet.

## Learning process and workload

This course will be based on lectures, exercises, cases and hand-ins.

Recommended use of hours:

Activity	Hours
Lectures, work-shops, group work with feed back	42
Working with the text books, exercises and preparing for next lecture	78
"Hand-ins"	40
Final term paper	40
<b>Totalt recommended use of hours</b>	<b>200</b>

## Use of hours

**Examination**

The course concludes with an individual term paper over three weeks.

The paper is not to exceed 18 to 20 pages, in which a given company should be analyzed and valued.

**Examination code(s)**

ELE 37501 - Term Paper, accounts for 100% of the final grade in ELE 3750 Financial analysis and valuation, 7.5 credits.

**Examination support materials**

All support materials is allowed.

**Re-sit examination**

Re-sit examination is offered at next scheduled course.

**Additional information**