



APPLIES TO ACADEMIC YEAR 2014/2015

REV 3570 Valuation

Programme

Bachelor of Auditing (2. year)

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

Introduction

Purchase price allocation in accordance with IFRS 3, impairment tests and "fair value accounting" require that an auditor possesses considerable skills in valuation.

In accordance with IFRS 3, the buyer must measure the total acquisition cost and allocate this cost to the acquired assets, both tangible and intangible, to obligations and to contingent liabilities. Under IAS 36, an entity shall conduct tests for impairment of its assets to check if the firm has incurred in impairment losses. In recent years, accounting standards have had an increasing focus on "fair value accounting".

An auditor is also often asked to help with valuations in connection with generational changes, mergers, forced redemption of shares and so forth.

This course provides students with a solid theoretical basis for conducting valuations and will engage the students in thorough discussions on how the measurements are carried out in practice.

Learning outcome

Knowledge

After completing the course, students will have acquired:

- Knowledge of the processes related to valuation
- Understanding of the different valuation models and their weaknesses and strengths
- Knowledge of how to take into account the risks and taxes in valuation
- Knowledge about the preparation of relevant forecasts to be used in valuations
- Thorough knowledge of the different situations in which the valuation is applied in the auditing process

Skills

After completing this course, students will be able to:

- Develop relevant forecasts for valuation purposes
- Determine the rate of return to calculate accounting estimates and the enterprise value
- Apply valuation models for calculating accounting estimates and the enterprise value
- Apply recognized methods for calculating the rate of return
- Analyze and use financial information to make forecasts for valuation purposes
- Have an understanding of how leverage influences the calculation of the appropriate level of equity capital.

Reflection

The students will establish a broad understanding of how various valuation models can form the basis for good decisions, and how such models can be used to support the auditing process.

Prerequisites

Recommended prerequisites are Financial Accounting and Financial Statement Analysis. Alternatively, Management Accounting and Control or equivalent.

Compulsory reading

Books:

Kaldestad, Yngve; Møller, Bjarne. 2011. Verdivurdering. Revisorforeningen.no

Recommended reading

Course outline

1. Value and value components in a firm
2. Forecasting of cash flows
3. Cash-flow-based valuation models
4. Income-based valuation models
5. Valuation using multiples
6. Other valuation methods
7. The required rate of return
8. Discounts and premiums
9. Valuation of intangible assets
10. Valuation for accounting purposes

Computer-based tools

It is expected that students make use of a spreadsheet program (for example Excel), and that they have access to the Internet.

Learning process and workload

The course is based on lectures, exercises, cases and hand-ins.

Recommended distribution of study time:

Activity	Hours
Lectures with workshops, supervised exercises in groups	42
Work with compulsory literature, exercises, and lecture preparation	105
Hand-ins	50
Exam	3
Recommended number of hours used in this course	200

Use of hours

Examination

The final grade for the course will be determined on the basis of the following elements and criteria:

Part 1 – A project accounting for 25 % of the final grade

The assignment may be completed individually or in groups of up to 3 students. Specific information regarding requirements for the assignment will be given in class.

Part 2 – A written exam accounting for 75 % of the final grade

The written exam is a 3-hour individual exam.

Both examination elements must be passed in order to obtain a final grade.

Examination code(s)

REV 35701 Project, accounts for 25 % of the final grade in the course REV 3570 Valuation, 7.5 credits.

REV 35702 Written exam, accounts for 75 % of the final grade in the course REV 3570 Valuation, 7.5 credits.

Examination support materials

A BI-approved exam calculator.

Examination support materials at written examinations are explained under examination information in the student portal @BI. Please note use of calculator and dictionary. https://at.bi.no/EN/Pages/Exa_Hjelpemidler-til-eksamen.aspx

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

Additional information