ELE 3750 Financial analysis and valuation

Programme
Elective, Exchange Program

Responsible for the course
Ignacio Garcia de Olalla Lopez

Department
Department of Accounting - Auditing and Business Analytics

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 economice reality. The chance that financial information might be sourrounded by "noise" makes it even more important to critically assess the quality of financial imformation befor used.

Valuations are commonly made in relation to transactons 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

Acquired Knowledge
After completing the course, students will have:

- Acquiree 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 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 an introduction course in finance, BØK 1121 or BØK 3423 or equivalent.

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

Recommended reading

Course outline
1. The Coporate 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:

Acitivity	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
Totalt recommended use of hours	**200**

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
For electives re-sit is normally offered at the next scheduled course. If an elective is discontinued or is not initiated in the semester it is offered, re-sit will be offered in the electives ordinary semester.

Additional information