APPLIES TO ACADEMIC YEAR 2016/2017

GRA 6220 Corporate Valuation

Programme
Master in Accounting and Auditing

Responsible for the course
Sverre Dyrnes, Erlend Kvaal

Department
Department of Accounting - Auditing and Business Analytics

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
The main objective of this course is to provide students with the tools to analyze firm financial performance from an equity valuation perspective and to carry out a business valuation building on this analysis. The principal focus will be on residual income valuation techniques.

Most of the data used to perform securities analysis are accounting data and it is impossible to prepare a valuation analysis of a firm without using and understanding accounting data. We study the actual financial statements of publicly-traded companies in the assignments that we discuss in class. The course combines accounting principles and investment principles to answer the question: How do I account for value so that I can challenge stock prices with some confidence?

Learning outcome
The student will through the course acquire the competence to write a thorough, credible equity research report or investment analysis that meets the highest standards. To do this, students should be able to: understand and apply business valuation models that use accounting numbers and understand the importance of ratio analysis to investors and analysts. Further, the students should learn how to prepare a thorough valuation analysis including sensitivity analysis on the key assumptions; understand the factors determining quality of accounting information from an investor perspective and demonstrate written communication skills in relation to the analysis of company financial statement information from a valuation perspective.

By the end of the course students should be able to answer to the following questions:

- How are fundamental values (or "intrinsic values") estimated?
- How does one pull apart the financial statements to get at the relevant information for valuing equities?
- What is the relevance of cash-flows? Of dividends? Of earnings? Of book values? How are these measures treated in a valuation
- What is growth? How does one analyze growth? How does one value a growth firm? What are the pitfalls in buying growth?
- How does one challenge the growth expectations implicit in stock prices?
- How does ratio analysis help in valuation? What determines a firm's P/E ratio? How does one calculate what the P/E should be? What determines a firm's market-to-book (P/B) ratio? How does one calculate what the P/B should be?
- How does profitability tie into valuation?
- How does one evaluate risk? For equity? For debt?

Prerequisites

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have spesific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading
Books:
Penman, Stephen H. 2013. Financial Statement Analysis & Security Valuation. 5th ed.. McGraw-Hill

Recommended reading

Course outline

- Introduction to investing and valuation
- Accounting quality analysis
- Recastng financial statements
- Valuation using multiples
- Residual income valuation models
- Analysis of risk and return
- Forecasting analysis
- Writing an equity reserach report

Computer-based tools

Not applicable

Learning process and workload

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

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.

Coursework requirements

Examination

Your course grade will be based on the following activities and weights:
30 % Assignment (mid-term paper) - group of max. 3 students
70 % Final 3-hour written examination - individual

Form of assessment	Weight	Group size
Assignment	30%	Group of max 3 students
Written examination 3 hours	70%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. All parts of the assessment must be passed in order to get a grade in the course. Candidates may be called in for an oral hearing as a verification/control of written assignments.

Examination code(s)

GRA 62201 - Assignment (mid-term paper) accounts for 30 % of the final grade.
GRA 62202 - Written 3-hour examination accounts for 70 % of the final grade.
Both evaluations must be passed in order to get a grade in the course.

Examination support materials

BI approved exam calculator
Bilingual dictionary
Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

Additional information

Honour code. Academic honesty and trust are important to all of us as individuals, and are values that are integral to BI's honour code system. Students are responsible for familiarising themselves with the honour code system, to which the faculty is deeply committed. Any violation of the honour code will be dealt with in accordance with BI's procedures for academic misconduct. Issues of academic integrity are taken seriously by everyone associated with the programmes at BI and are at the heart of the honour code. If you have any questions about your responsibilities under the honour code, please ask. The learning platform itslearning is used in the teaching of all courses at BI. All students are expected to make use of itslearning.