FINM3005
Corporate Valuation

Corporate Valuation is a "capstone" finance course that draws on core corporate finance principles, theories and methods previously studied. Students will work in teams to value an existing company, present their analysis and investment recommendation. The techniques covered include discounted cash flow, multiple-based and asset-based valuations. Because of the richness of the approach, most of the focus will be on discounted cash flow analysis. While this entails more work and requires significant student initiative, this type of 'learning by doing' should provide a lasting framework.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus lectures, workshops and tutorials</th>
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</thead>
<tbody>
<tr>
<td>Prerequisites</td>
<td>To enrol in this course you must have completed FINM2001 and BUSN1001</td>
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<tr>
<td>Course Convener &amp; Lecturer:</td>
<td>Dr. Hua Deng</td>
</tr>
<tr>
<td>Office Location:</td>
<td>Room 3.50 CBE Building 26C</td>
</tr>
<tr>
<td>Phone:</td>
<td>6125 6700</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:hua.deng@anu.edu.au">hua.deng@anu.edu.au</a></td>
</tr>
<tr>
<td>Consultation hours:</td>
<td>2 – 4:00 pm Thursday</td>
</tr>
<tr>
<td>Research Interests:</td>
<td>Corporate Finance, Corporate Governance</td>
</tr>
<tr>
<td>Course administrator:</td>
<td>Patricia Penm</td>
</tr>
<tr>
<td>Phone:</td>
<td>6125 1526</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:patricia.penm@anu.edu.au">patricia.penm@anu.edu.au</a></td>
</tr>
<tr>
<td>Tutor(s)</td>
<td>TBA.</td>
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SEMESTER 1
2016
http://programsandcourses.anu.edu.au/course/FINM3005
COURSE OVERVIEW

Learning Outcomes

Upon successful completion of the requirements for this course, students will be able to:

- Understand and apply techniques for company valuation;
- Appreciate how to apply theories and concepts learned in other courses;
- Become more effective at working in teams.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
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</thead>
<tbody>
<tr>
<td>1. Company model and DCF valuation</td>
<td>20%</td>
<td>2:00 pm, Apr. 18th 2016, Monday Week 8</td>
<td>May 2nd 2016 (indicative)</td>
</tr>
<tr>
<td>2. Finalized DCF and multiples- or asset-based valuation, and analyst research report</td>
<td>30%</td>
<td>2:00 pm, May 19th 2016, Thursday Week 12</td>
<td>Before final exam</td>
</tr>
<tr>
<td>3. Tutorial Quizzes</td>
<td>15%</td>
<td>In class, TBA.</td>
<td>TBA.</td>
</tr>
<tr>
<td>4. Final exam</td>
<td>35%</td>
<td></td>
<td></td>
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</table>

Research-Led Teaching

Students undertaking this course will be imparted with the necessary skills for industry based research. This will include involving students in critical analysis of industry based problems such as valuation, capital budgeting and risk assessment.

Feedback

Staff Feedback

Students will be given feedback in the following forms in this course:

- A discussion of general issues at workshop;
- A marking sheet for each group assignment;
- Inserted comments or corrections in the valuation model and final report;
- Discussion with group members during consultation time.

Student Feedback

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to

http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at:

http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rules 2014 before the commencement of their course.
Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

Required Resources
Commonwealth supported students and domestic full-fee paying students generally must be able to complete the requirements of their program of study without the imposition of fees that are additional to the student contribution amount or tuition fees.

Provided that its payment is in accordance with the Act, a fee is of a kind that is into any one or more of the following categories:
(a) It is a charge for a good or service that is not essential to the course of study.
(b) It is a charge for an alternative form, or alternative forms, of access to a good or service that is an essential component of the course of study but is otherwise made readily available at no additional fee by the higher education provider.
(c) It is a charge for an essential good or service that the student has the choice of acquiring from a supplier other than the higher education provider and is for:
   (i) equipment or items which become the physical property of the student and are not consumed during the course of study; or
   (ii) food, transport and accommodation costs associated with the provision of field trips that form part of the course of study.
(d) It is a fine or a penalty provided it is imposed principally as a disincentive and not in order to raise revenue or cover administrative costs.

Examination material or equipment
Dictionary, non-programmable calculator and one A4 page with notes on both sizes (can be typed).
## COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic/theme of Lecture</th>
<th>Required Reading</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Course overview</td>
<td>KGW Ch1, Ch2 (p17-26)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>DCF Valuation</td>
<td>KGW Ch6, Ch10, Ch12</td>
<td></td>
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<tr>
<td>3</td>
<td>Building a company model</td>
<td>KGW Ch7</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Forecasting and model integrity</td>
<td>KGW Ch4, Ch8, Ch9</td>
<td>Quiz #1</td>
</tr>
<tr>
<td>5*</td>
<td>Cost of capital</td>
<td>KGW Ch11, Course Note 1</td>
<td>Quiz #2</td>
</tr>
<tr>
<td>6</td>
<td>Incorporating growth potential: organic growth, investments, acquisitions, etc.</td>
<td>KGW Ch5, Ch21</td>
<td>Quiz #3</td>
</tr>
<tr>
<td>7*</td>
<td>Multiple-based valuations: - Price-earnings - Enterprise value - Others: cash flow, dividend yield, etc.</td>
<td>KGW Ch14, Course Note 2 (p1-6, p10-13)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Asset-based valuations: - Price/Net Assets - Sum-of-the-parts or break-up value - Takeover valuations</td>
<td>Damodaran Ch19, Ch25, Course Note 2 (p7-10)</td>
<td>Assignment #1 due</td>
</tr>
<tr>
<td>9*</td>
<td>Sensitivity and scenario analysis</td>
<td>KGW Ch13 p295-304</td>
<td>Quiz #4</td>
</tr>
<tr>
<td>10</td>
<td>The investment decision</td>
<td>KGW Ch3, Ch15-18</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Special cases: - High growth companies - Cyclical companies - Financial firms</td>
<td>KGW Ch34-36</td>
<td>Assignment #2 due</td>
</tr>
<tr>
<td>13</td>
<td>Final exam review</td>
<td></td>
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</tbody>
</table>

*These lecturers fall on public holidays. The lecturer will seek to reschedule these lectures to an alternative date with minimum time table clash when timetabling is finalized. If it is difficult to reschedule the lectures, the Workshop in same week as these lectures will be used for the make-up lecture.

## ASSESSMENT REQUIREMENTS

### Assessment Tasks

#### Assessment Task 1: Assignment #1 & #2

**Details of task:** Students are asked to sign up for an assignment group at Wattle. Each group is expected to build a DCF valuation model and multiple-based (or asset-based) valuation for a listed Australian company; and produce an analyst research report that includes valuation analysis and investment recommendations. Details on objectives, requirements, group formation, guidance and marking criteria will be provided at Wattle.
Workshops
Commencing week 2, the lecturer will conduct workshops of one hour per week. The week 2 workshop will introduce the “KGW model” template, and offer general advice on modelling in Microsoft Excel. From week 3, general guidance will be given on how to conduct analysis for your company, including discussing methods and addressing any common problems or matters raised by students. At least one member from each team MUST attend and take notes, although all should attend with prepared questions. The workshop is used as the main forum seeking help for your assignment. The lecturer will NOT answer assignment related questions by email, unless it’s a fact-based question. Extra consultation will be offered leading up to the assignment due dates. Refer to Wattle for details and booking instructions in due course.

Assessment Task 3: Tutorial quizzes
Details of task: Optional and redeemable. If redeemed, the weight of quizzes will be allocated to the final exam. Students may choose to sit up to four quizzes. The results of up to three quizzes that produce higher grade than the final exam will be counted in the course grade. Each quiz is worth 5% in the overall course assessment. Students who sit less than three quizzes will have the weight of missed quiz moved to the final exam. The primary objective of the quizzes is to help students familiarize with the format and practise calculation and written questions as in the final exam. The quizzes are closed-book exams of 15-minute duration. The formats may include multiple choices, True/False, short written (calculation maybe required) questions. Instead of the one-shot final exam, students are given the chance to practise and improve along the semester. Details of each quiz will be provided one week ahead. Important: to have a valid quiz mark, students must sit the quizzes in their enrolled tutorials, otherwise the quiz will not be marked and a zero mark will be recorded. If your tutorial falls on a public holiday, you can attend any tutorial class during the week to do the quiz. It is the students’ responsibility to notify the lecturer and the tutor of the desired tutorial to do the quiz (so that the staff can have extra quiz ready for you). Otherwise, no guarantee that you can do the quiz at the desired time. A supplementary quiz is only provided on a case by case basis when the student has satisfactory evidence to show that he/she could not attend any tutorial during the week due to uncontrollable reasons. The arrangement must be made before the usual enrolled tutorial.

Examination
Final Examination – 3 hours duration
This is a closed book exam but students are allowed to bring one A4 sheet of paper with notes on both sides. A mixture of theory and practical (numerical) questions will be asked. Students will need to review and revise all material (weeks 1-13) pertaining to the course. Students will be provided with further details regarding the exam as it approaches. The final exam is designed to: (i) test the student’s understanding and comprehension of the course materials; (ii) ensure they have obtained the learning objectives of the course.

Assignment submission
Online Submission: Assignments are submitted using the course Wattle site. Hard copy or email submission is only acceptable by the approval of the lecturer before the assignment is due on a case by case basis. Only one submission is required from each group. Please keep a copy of the assignment for your records. Important: to correctly distribute assignment marks and the feedback files, each student must sign up for a Group on Wattle, including one-person groups (approved by the lecturer). You will be required to electronically sign a declaration as part of the submission of your assignment. It is the students’ responsibility to ensure the assignment files are uploaded correctly.
Extensions and penalties
No assignment extensions will be granted. Incapacity of individual team members due to illness and the like will not be considered sufficient justification for an extension in most cases, on the basis that other team members should be prepared to take up the workload. No extension or special consideration will be granted to small teams (less than four students).

Late submission of assessment tasks without an extension are penalised at the rate of 5% of the possible marks available per working day or part thereof. Late submission of assessment tasks is not accepted after 10 working days after the due date, or on or after the date specified in the course outline for the return of the assessment item.

Late submission is not accepted for take-home examinations.

Returning assignments
Students will have their assignments and marks returned to them via Wattle or email, by the final exam scheduled by the university exam unit.

Resubmission of assignments
Students may resubmit Assignment #1 within a week of receiving the feedback files. The same marking criteria of Assignment #1 apply. The grade of the resubmission accounts for 40% of the final grade of Assignment #1. The grade of the first submission accounts for 60% of the final grade of Assignment #1.
No resubmission of Assignment #2 is accepted.

Referencing requirements
Referencing is essential to demonstrate that you have read thoroughly, and acknowledges the ideas and materials of other authors in your work. Refer to the College referencing guide for further details (http://cbe.anu.edu.au/students/student-information/examinations-assessment/).

Reading Lists
Prescribed Text

CFA Institute Code of Ethics and Standards of Professional Conduct

CFA Institute Standards of Practice Handbook (Standard V) (SPH)

Other Readings
Additional materials will be made available on Wattle, including supplementary course notes, selected analyst reports, CFA readings, example worksheets, and other relevant items.

Scaling
Your final mark for the course will be based on the raw marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.
**Tutorial and Seminar Registration**

Enrolment in tutorials will be completed online using the CBE Electronic Teaching Assistant (ETA). To enrol, follow these instructions:

1. Go to http://eta.fec.anu.edu.au
2. You will see the Student Login page. To log into the system, enter your University ID (your student number) and password (your ISIS password) in the appropriate fields and hit the Login button.
3. Read any news items or announcements.
4. Select "Sign Up!" from the left-hand navigation bar.
5. Select your courses from the list. To select multiple courses, hold down the control key. On PCs, this is the Ctrl key; on Macs, it is the ⌘ key. Hold this key down while selecting courses with the mouse. Once courses are selected, hit the SUBMIT button.
6. A confirmation of class enrolments will be displayed. In addition, an email confirmation of class enrolments will be sent to your student account.
7. For security purposes, please ensure that you click the LOGOUT link on the confirmation page, or close the browser window when you have finished your selections.
8. If you experience any difficulties, please contact the School Office (see page 1 for contact details).
9. Students will have until 5pm February 25 to finalise their enrolment in tutorials. After this time, students will be unable to change their tutorial enrolment.

**SUPPORT FOR STUDENTS**

The University offers a number of support services for students. Information on these is available online from [http://students.anu.edu.au/studentlife/](http://students.anu.edu.au/studentlife/)