The purpose of this course is to offer students an application-oriented approach to understanding how concepts and theories of finance are applied to investment decisions. Students will learn to value corporate entities using various techniques, including discounted cash flow and multiple based valuations. The methods and analytical techniques discussed in this course are heavily used in practice, which are helpful not only to financial managers in modern corporations but also to investors in financial markets.

Mode of Delivery | On campus
---|---
Prerequisites | STAT7055, FINM7006, FINM7007 and BUSN7008.
Incompatible Courses | You are not able to enrol in this course if you have completed FINM3005.
Course Convener & Lecturer | Dr Xianming Zhou
Office location: | Room 4.20, CBE Building
Phone: | 6125 0729
Email: | Xianming.zhou@anu.edu.au
Student consultation hours: | Thursday 4pm–6pm
Bio and research interests: | Dr Zhou received his PhD from the University of Toronto. He joined ANU College of Business and Economics in September 2014 after teaching at the University of Sydney, the City University of Hong Kong, and the University of Hong Kong. Dr Zhou's research interests include corporate governance and capital markets. He has written on managerial incentive contracts, executive compensation, insider ownership, and equity offerings.

Course administrator
Office location: | Room 4.50, CBE Building
Phone: | 6125 0487
Email: | tracy.skinner@anu.edu.au
COURSE OVERVIEW

Learning Outcomes
Upon successful completion of the requirements for this course, students will:

- Have attained an in-depth knowledge of valuations essentials;
- Be able to implement and communicate techniques used to place a value on a company’s operations; and
- Be able to use valuation tools to plan and monitor key corporate decisions.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Problem set</td>
<td>10%</td>
<td>Monday, Week 7</td>
<td>Monday, Week 8</td>
</tr>
<tr>
<td>2. Case report 1</td>
<td>10%</td>
<td>Monday, Week 9</td>
<td>Monday, Week 10</td>
</tr>
<tr>
<td>3. Case report 2</td>
<td>15%</td>
<td>Monday, Week 11</td>
<td>Monday, Week 12</td>
</tr>
<tr>
<td>4. Final exam</td>
<td>65%</td>
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</tr>
</tbody>
</table>

Research-Led Teaching
By working through corporate valuation cases, students will learn and exercise the necessary skills for financial industry based research. With the distinct feature of learning by doing, this course will train students in critical analysis of real-world problems in corporate financial decisions, and evaluation and communication of valuation results.

Feedback

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

- Comments or corrections on their submitted problem set and case reports;
- A discussion of general issues in class for each of their submitted works;
- 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 sides will be allowed.

**COURSE SCHEDULE**

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic of Lecture</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction to valuation</td>
<td>Damodaran Chs 1 &amp; 2</td>
</tr>
<tr>
<td>2</td>
<td>Financial statements, cash flows, forecast</td>
<td>Damodaran Chs 3, 9 &amp; 10</td>
</tr>
<tr>
<td>3</td>
<td>Risk and expected return</td>
<td>Damodaran Chs 4 &amp; 7; RWJ Ch 11</td>
</tr>
<tr>
<td>4</td>
<td>Cost of capital and capital structure</td>
<td>Damodaran Ch 8; RWJ Ch 13</td>
</tr>
<tr>
<td>5</td>
<td>NPV, valuation of bonds and stocks</td>
<td>RWJ Chs 8 &amp; 9</td>
</tr>
<tr>
<td>6</td>
<td>DCF valuation</td>
<td>Damodaran Chs 12, 14 &amp; 15</td>
</tr>
<tr>
<td>7</td>
<td>Relative valuation</td>
<td>Damodaran Chs 17, 18 &amp; 19</td>
</tr>
<tr>
<td>8</td>
<td>Valuing private firms and IPOs</td>
<td>Damodaran Ch 24</td>
</tr>
<tr>
<td>9</td>
<td>Case 1: IPO valuation</td>
<td>DSB case: JetBlue IPO</td>
</tr>
<tr>
<td>10</td>
<td>Takeover valuation, LBOs</td>
<td>Damodaran Ch 25</td>
</tr>
<tr>
<td>11</td>
<td>Case 2: Valuation of an LBO</td>
<td>HBS case: Berkshire’s bid for Carter’s</td>
</tr>
<tr>
<td>12</td>
<td>Other issues in valuation</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>13</td>
<td>Final exam review</td>
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</tr>
</tbody>
</table>
ASSESSMENT REQUIREMENTS

Assessment Tasks
There will be three assessment tasks, which are all study group-based. Students are required to form their own study group by the end of week 2, each comprising 4 to 5 students. At the end of this course, an intra-group assessment will be conducted: Each student will be asked to submit a confidential assessment of each group member’s overall contribution to the group’s work. This information is to be used for necessary within-group adjustment for group-work marks.

Assessment Task 1: Problem set
Details of task: The problem set consists of review questions of applying finance theories and analytical techniques discussed in class. Detailed information and requirement for the assignment will be posted on the course Wattle site. While there will be no tutorials for this course, exercise questions will be provided based on lecture content and solutions to exercise questions will be posted on the course website.

Assessment Task 2 &3: Case reports
Details of task: The two valuation cases are from real-world financial decisions. For each case, students are required to analyse the case in advance and each study group needs to submit a written case analysis before class discussion. Detailed information and requirement for each case will be distributed to students in class.

Assignment submission
Hard copy submission: All three assignment tasks are submitted in hard copy. Required supplementary spreadsheets are submitted by email to the lecturer. Assignments must include the provided cover sheet (to be distributed). Please keep a copy of tasks completed for your records.

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.

Extensions and penalties
No submission of assessment tasks after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Returning assignments
Students will have their assignments and marks returned to them in hard copy. The lecturer will detail the procedure for collection of assignments containing any comments upon completion of marking.

Referencing requirements
Referencing is essential to demonstrate that you have read thoroughly, and acknowledges the ideas and materials of other authors in your work. Students are required to apply the ‘Harvard Style’ of referencing in completing written work, where applicable.

Refer to the College referencing guide for further details (http://cbe.anu.edu.au/students/student-information/examinations-assessment/).
Examination

Final exam: This is a 3-hour, closed book examination. Students are allowed to bring one A4 sheet of paper with written or typed notes on both sides.

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.

Reading Lists


Lecture notes: Available on the course Wattle site

Valuation cases: To be distributed in class


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/