

Subject Code	AF5347
Subject Title	Financial Analysis and Valuation
Credit Value	3
Level	5
Pre-requisite / Co-requisite/ Exclusion	Accounting for Business Analysis (AF5115) <i>AND</i> Principles of Corporate Finance (AF5312)
Role and Purposes	This subject builds on students' understanding of key accounting concepts and techniques for extracting and utilizing information from financial reports. The course contents cover various principles, issues and techniques relating to business valuation in a comprehensive and focused manner. This course helps achieve the MoF Outcomes by enabling students to identify and explain financial analysis and valuation issues (Outcome 2), and allowing them to apply the tools to analyse and value other real cases (Outcome 3).
Subject Learning Outcomes	Upon completion of the subject, students will be able to: (a) evaluate financial statements and project financial performance using an industry and country specific framework; (b) comprehend the key principles and specific techniques for assessing values of businesses; and (c) give buy/sell recommendation of individual stock based on the detail analysis of the company fundamental and valuation.
Subject Synopsis/ Indicative Syllabus	<p>Business Strategy Analysis Assessment of the profit potential of a firm at a qualitative level; the role of macroeconomic analysis; framework of industry and competitive analysis.</p> <p>Accounting Analysis Importance and limitations of the balance sheet, the income statement and the statement of cash flow; effectiveness of accounting practice in capturing the true underlying economic conditions; identification of accounting flexibility; appropriateness of a firm's accounting policies and estimates.</p> <p>Financial Analysis Evaluation of a firm's performance in the context of its stated goals and strategy; applications and limitations of frequently used tools such as ratio analysis, cash flow analysis, and common-base as well as common-size financial statements.</p> <p>Valuation Principles, Techniques and Practice The balance sheet model of a firm; the meaning of value; from historical analysis to financial projections; forecast of business operations, financing</p>

	needs and investment plans; common techniques (e.g. DCF, capitalization of dividends, asset-based valuation, WACC, CAPM) in valuing business and debt as well as equity securities; other non-cash flow approaches in valuation.																																																				
Teaching/Learning Methodology	<p>Course material will be introduced via a combination of presentations (by both lectures and course participants), class discussions, class exercises and case studies.</p> <p>Active participation in discussion is the key to learning in this subject. Students are expected to participate in discussion and contribute their views on various issues related to the topics under review.</p>																																																				
Assessment Methods in Alignment with Intended Learning Outcomes	<table border="1" data-bbox="440 562 1450 1102"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1. Individual research report and presentation</td> <td>45%</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Class Participation</td> <td>5%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. Final Examination</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>100 %</td> <td colspan="6"></td> </tr> </tbody> </table> <p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</p>							Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c				1. Individual research report and presentation	45%		✓	✓				2. Class Participation	5%	✓	✓	✓				3. Final Examination	50%	✓	✓	✓				Total	100 %						
Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)																																																			
		a	b	c																																																	
1. Individual research report and presentation	45%		✓	✓																																																	
2. Class Participation	5%	✓	✓	✓																																																	
3. Final Examination	50%	✓	✓	✓																																																	
Total	100 %																																																				
Student Study Effort Expected	Class contact:																																																				
	▪ Lectures / Seminars						39 Hrs.																																														
	Other student study effort:																																																				
	On average, students are expected to spend around 3 hours for reading materials/ textbook questions on a weekly basis.						39 Hrs.																																														
	On average around 36 hours will be spend on the individual presentation and written report						36 Hrs.																																														
	Total student study effort						114 Hrs.																																														

**Reading List and
References**

The textbook for this course is:

Damodaran, A., *Investment Valuation*, John Wiley & Sons, 3rd Edition 2012
University Edition

Also Recommended:

Subramanyam, K.R., *Financial Statement Analysis*, 11th edition, McGraw
Hill, International Edition 2014.

Piotroski, J. D, So E, (2012) Identifying Expectation Errors in Value/Glamour
Strategies: A Fundamental Analysis Approach. *The Review of Financial
Studies*, 25, 9, pp.2841-2875.

Piotroski, J. D., (2000) Value investing: The use of historical financial statement
information to separate winners from losers. *Journal of Accounting
Research*, 38, 1, pp.1-41.

Value and Growth Investing: review and update, *Louis K C Chan, Josef
Lakonishok. Financial Analysts Journal*. Charlottesville: Jan/Feb 2004. Vol.
60, Iss. 1; p. 71