

Subject Description Form

Subject Code	AF4331
Subject Title	Business Valuation
Credit Value	3
Level	4
Normal Duration	1-semester
Pre-requisite / Co-requisite/ Exclusion	Pre-requisites: Business Finance (AF 3313)
Role and Purposes	<p>This subject aims to introduce an analytical framework for carrying out business analysis and valuation by using financial statements for valuing different kind of businesses.</p> <p>It contributes to the achievement of Programme Outcomes by enabling students to <u>identify and resolve ethical issues</u> contained in the financial statements (Outcome 4), <u>apply basic accounting and financial theories</u> to analyze financial reports and to identify potential problems and risks (Outcome 7). By the end of this subject, students will become a professional user of financial statements to advance further into the field of business valuation as investment analysis.</p>
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> a. Develop the ability to critically assess a firm's financial condition through analyzing financial statements; b. Apply analytical tools to make forecasts and value firms using different valuation techniques; c. Evaluate and compare corporate valuation decision in specific contexts such as securities analysis, credit assessment and acquisition and merger.
Subject Synopsis/ Indicative Syllabus	<p>A framework for Business Analysis and valuation</p> <p>Business activities and components of business analysis and their relation to Financial statements, tools for analysis.</p> <p>Business Strategy Analysis</p> <p>Business Environment analysis, Porter's five forces model of competition, sources of competitive advantages, achieving and sustaining competitive advantages.</p> <p>Accounting Analysis</p> <p>Implementation accounting analysis: Factors affecting the quality of accounting information, assessing accounting flexibility, earnings management, potential red flags, adjusting and recasting.</p>

	<p>Financial Analysis</p> <p>Tools of financial analysis: comparative analysis, common-sized analysis, profitability analysis, cash flow analysis and ratio analysis.</p> <p>Prospective Analysis & Valuation</p> <p>Projection of future performance: Forecasting, valuation theory and concepts, valuation implementation.</p> <p>Equity security analysis</p> <p>Apply equity valuation model to determine the true value of a firm and its stock price. Common techniques used in valuation are discount dividend valuation model, price multiple valuation method, discounted cash flow model and the discounted abnormal earnings valuation method.</p> <p>Credit analysis and distress prediction</p> <p>Credit analysis: analysis of capital structure, risk assessment, Z score.</p> <p>Mergers and acquisition</p> <p>Valuation of business under mergers and acquisition</p>																																																														
<p>Teaching/Learning Methodology</p>	<p>The three hours per week will be used flexibly by the instructor for discussing both concepts and applications with students and carrying out weekly assignments with students. Heavy emphasis is placed on the student's analytical and written skills with critical thinking. Active participation is expected from the students.</p> <p>To maximize learning, students are requested to read the assigned textbook chapter(s), do exercises and cases before they attend the lectures. It normally requires 4-5 hours preparation for a 3-hour seminar.</p>																																																														
<p>Assessment Methods in Alignment with Intended Learning Outcomes</p>	<table border="1"> <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>Continuous Assessment</td> <td>50%</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Individual report</td> <td>15%</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Participation and weekly tutorials questions</td> <td>5%</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. Group project report</td> <td>30%</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Close-book 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></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c				Continuous Assessment	50%							1. Individual report	15%	√	√	√				2. Participation and weekly tutorials questions	5%	√	√	√				3. Group project report	30%	√	√	√				Close-book Final Examination	50%	√	√	√				Total	100 %						
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	To pass this subject, students are required to obtain Grade D or above in both the Continuous Assessment and Examination components.	
Student Study Effort Expected	Class contact:	
	▪ Lecturers and Tutorials (13 weeks)	39 Hrs.
	▪ Prepare weekly tutorial questions	18 Hrs.
	▪ Prepare group project	28 Hrs.
	Other student study effort:	
	▪ Prepare individual report	15 Hrs.
	▪ Prepare final examination	35 Hrs.
	Total student study effort	135 Hrs.
Reading List and References	<p>Recommended Textbooks</p> <p>K.G.Palepu, P.M. Healy and E.Peek, Business Analysis and Valuation using financial Statements 5E, Thomson South-Western</p> <p>Damodaran, A., <i>Investment Valuation</i>, John Wiley & Sons, 3rd Edition 2012 University Edition</p> <p>Reference</p> <p>K. Subramanyam, Financial Statement Analysis, 11th edition, Mc Graw Hill – International edition 2014.</p> <p>Palepu, K. G., V.L. Bernard, P.M. Healy and E. Peek, Business Analysis and Valuation, IFRS Edition Text and Cases, latest edition, South-Western/International Thomson</p> <p>Penman S. H., Financial Statement Analysis and Security Valuation, latest edition, Irwin/McGraw Hill</p>	