



COURSE (MODULE) DESCRIPTION

Course title	Code
BUSINESS VALUATION	

Staff	Department
Coordinator(s): Assoc. prof. Viktorija Cohen, PhD. Other(s):	Faculty of Economics and Business Administration, VU

Study cycle	Course type
Second	Elective

Form of implementation	Period of implementation	Language of instruction
Blended	Spring semester	English

Requirements for student	
Prerequisites: this course requires some interest in finance, investments and mathematics in general.	Additional requirements (if any): none

Number of ECTS credits	Student's workload	Contact hours	Individual work hours
5	130	32	98

Purpose of the course and competences developed		
<p><i>Valuation</i> is the kind of technic that helps financial professionals worldwide excel at measuring, managing, and maximizing shareholder and company value. In today's economy, it has become an essential role — and one that requires excellence at all points. Business or company valuation lies at the crossroads of corporate strategy and finance. During this module we will cover everything managers need to know in estimating the value of businesses, and thus their strategies to drive better decision making. The goal of the course is to enable students to understand business valuation methods in order to be effective in various cycles of organization's development and different aspects in economic life.</p>		
Learning outcomes	Teaching methods	Assessment methods
After the course students will: a) Gain the knowledge about the concept of major principles of business valuation techniques	Blended type of teaching method (lectures, problem-based teaching, online self-assess)	Examination test (open and closed questions)
b) be able to evaluate the performance, prospects and business value of a company/project c) gain the ability to draw the conclusions and proposals based on the results	Individual assignment shall ensure that one learns from step-by-step explanation of the company valuation model, the experiences of others and contributes to the discussions	Individual assignment
d) learn to assess major transactions, understand why there is no single one correct price, how transactions are valued, and how different factors can affect the value of a company e) gain skills to analyze and evaluate the accumulated information and think critically.	Presentations, discussions, in-class teams assignments of additionally provided material. Active participation in the module is important for the course to ensure that one learns from contribution of others.	Presentations and active participation in discussions.

Section	Topics	Contact / Individual work: time and assignments							Assignments	
		Lectures	Tutorials	Seminars	Practical classes	Laboratory work	Practice	Contact hours		Individual work
Frameworks for Valuation	Introduction to the course.	2						2	4	Reading Ch. 2, analysis and discussion.
	1. Fundamental Principles of Value Creation	2						2	7	Reading Ch. 6, Ch. 7, analysis and discussion.
	2. Analyzing Key Value Drivers - Return on Invested Capital - Revenue Growth	4		2				6	14	Reading Ch. 8, analysis and discussion. Individual practical assignment
Analyzing Historical Performance¹	3. Frameworks for Valuation - Enterprise DCF and Economic Profit Models - Adjusted Present Value	2		2				4	8	Reading Ch. 9, Reading 21; analysis and discussion. Individual practical assignment.
	4. Reorganizing the Financial Statements	2		2				4	10	Reading Ch. 10, analysis and discussion. Individual practical assignment. Presentations
Building the Valuation Model²	5. Analyzing Performance and Competitive Position	4		2				6	26	Reading Ch. 11, 12, analysis and discussion. Individual practical assignment Presentations
	6. Forecasting Performance - The Explicit Forecast Period - Continuing Value	4		2				6	23	Reading Ch. 13, analysis and discussion. Individual practical assignment. Presentations
	7. The Weighted Average Cost of Capital - The Cost of Equity - The Cost of Debt	2		2				4	14	Reading Ch. 14, 15 analysis and discussion. Individual practical assignment. Presentations
	8. Putting the Model to Work - From Enterprise to Equity Value - Calculating and Interpreting Results									
	Total	22		10				32	106	

Assessment strategy	Share in %	Time of assessment	Assessment criteria
Individual computer-based assignment	20	Self-study/during the module	Individual assignment (quality of analysis, links between theory and practice).

¹ For Advanced Financial Analysis that includes taxes and Debt into the valuation model see Ch. 18 Taxes & Ch. 20 Debt Equivalents: Leases and Retirement Obligations.

² For Alternative Methods of Valuation refer to Ch. 16 Multiples and Ch. 35 Valuing Flexibility using Real Options.

Active participation in discussions and in-class assignments	10	Throughout seminars	Class and seminar participation is important for the course to ensure that one learns from step-by-step explanation of the company valuation model, the experiences of others and contributes to the discussions.		
Presentation	20	Throughout the module	<p>In teams of 2 students will be delivering presentations on topics related to the current global trends in company valuation (subject to approval by the teaching professor). Criteria applied to assess presentations:</p> <ul style="list-style-type: none"> • scope of the presentation, structure of the presentation, • clarity of the raised issue and its interpretation, ability to bring opponents into a discussion of the problem, • support of the discussion, quality of raised questions during the presentation, quality of the material (data/sources). 		
Examination test	50	Throughout the module	<p>In total 5 multiple choice and open questions tests. All results will be accumulated. Final results of all the tests should not be under 49% and shall be assessed in the following way:</p> <ul style="list-style-type: none"> - over 95%, or excellent: 10; - over 85%, or very good: 9; - over 75%, or good: 8; - over 65%, or fair: 7; - over 55%, or satisfactory: 6; - over 49%, or poor: 5. <p>Under 49% - failed or unsatisfactory: 4, 3, 2, 1. 10 points represent 50 % of the final grade.</p>		
Author	Published	Title		Issue No. or volume	Publishing house or Internet site
Required reading					
McKinsey & Company Inc., Koller, Goedhart, Wessels	2015	Valuation Measuring and Managing the Value of Companies, University Edition		4 th Edition	Wiley
Elaine Henry, PhD, CFA, and Thomas R. Robinson, PhD, CFA	2011	Reading 21 - 33 Financial Statement Analysis: An Introduction			CFA Institute
Supplementary reading					
Luenberger D.G. (1998) Investment science, Stanford university, Oxford University Press, 494 p.					
Occasionally supplementary reading will be provided during the lectures (handouts, research papers relevant to the course, clippings from the business press)					