

This subject provides students with a working knowledge of the issues involved in the valuation of a business and its equity. Fundamental to any valuation is an understanding of the activities of the business and the reasons for undertaking the valuation. These issues are explored before the various valuation methodologies are outlined and demonstrated. The technical and practical issues involved in valuation are discussed as are the limitations of the various methodologies.

Learning outcomes

At the completion of this subject students should be able to:

- Discuss the role, purpose and importance of valuation when valuing equities and equity related securities
- Identify and apply the different methodologies generally used to value equities and equity related securities
- Determine the inputs required for a valuation and evaluate their impact
- Construct and interpret a valuation based on the discounted cash flow (DCF) valuation technique
- Discuss the technical and practical issues that arise in valuations
- Evaluate the inherent limitations of valuation and valuation methodologies
- Critique the differences between corporate valuations and portfolio interest valuations
- Appraise expert reports and discuss issues related to their preparation and interpretation.

Subject content

- Introduction to Valuation
- Understanding the Business
- DCF: Building the Financial Model
- DCF: Determining the Discount Rate
- Earnings Capitalisation and other Valuation Methods
- DCF: Issues in Valuation
- Accounting and Taxation Issues
- Valuing Portfolio and Controlling Interests
- Independent Expert Reports

Assessment

Assessment Type	Assessed	Weighting
Assignment	Week 6	40%
Examination	Week 12	60%

Delivery method

Kaplan's delivery is primarily through distance education, supported by comprehensive print and online resources. Students will have access to subject notes, pre-recorded lectures, an online subject room, practitioner led Discussion Forums, online exercises, library and further resources.

Pre-requisites

Students enrolling in a Masters level elective subject are assumed to have the pre-requisite knowledge in the four core subjects ([FIN111](#), [FIN112](#), [FIN113](#) and [FIN114](#)). This requirement can be waived where students are studying one or more core subjects concurrently with an elective, or they are studying single subjects and are not enrolled for the Masters, Graduate Diploma or Graduate Certificate courses. Students enrolling into an elective subject without having completed all core subjects should ensure that they have, or have access to, the pre-requisite or assumed knowledge required for successful completion of the elective subject. For further information on pre-requisite study contact a student adviser.

Workload

This subject requires approximately 120 hours of student effort (11-12 hours per week). This includes time spent on activities such as: Reading and review of course notes and other reading material, attending to or listening to live or pre-recorded lectures, participating in e-learning activities, and assessment preparation and review.

Reading list

The following list of references provides the student with key and additional reading material.

Prescribed text

There are no prescribed texts for this subject.

Additional readings:

Koller, T, Goedhart, M and Wessels, D 2005, *Valuation, measuring and managing the value of companies*, 4th University ed., John Wiley. ISBN 9780471702214

Lonergan, W 2003, *The valuation of businesses, shares and other equity*, 4th ed., Allen & Unwin, ISBN 9781865089706

Mercer, ZC and Harms, TW 2008, *Business valuation: an integrated theory*, 2nd ed., John Wiley. ISBN 9780470148167

Palepu, K and Healy, P 2004, *Business analysis & valuation: using financial statements*, 4th ed., Thomson South Western. ISBN 9780324302929

Porter, M 1980, *Competitive strategy: techniques for analysing industries and competitors*, Free Press. ISBN 002953608

Pratt, SP 2005, *The market approach to valuing businesses*, 2nd ed., John Wiley ISBN 9780471696544