



## Subject Outline

### **FIN205 Business Valuation**



## Section 1 — General information

### 1.1 Administrative details

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Duration	Credit points	Level
One study period (12 weeks)	6	AQF8

### 1.2 Core or elective subject

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This is an elective subject for the Graduate Certificate in Corporate Finance, Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance and and Master of Applied Finance.

### 1.3 Delivery mode

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This subject is delivered online.

### 1.4 Assumed knowledge

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Kaplan assumes that students have completed FIN202 Fundamentals of Asset Valuation, or understand the content covered in this subject, prior to undertaking FIN205 Business Valuation.

### 1.5 Course transition subject equivalence

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Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- FIN224 Applied Valuation
- E102 Applied Valuation



## **1.6 Work integrated learning**

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There are no placements, internships or work experience requirements associated with undertaking this subject.

## **1.7 Other resource requirements**

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Students do not require access to specialist facilities and/or equipment to undertake this subject.



## Section 2 — Academic details

### 2.1 Subject overview

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This subject provides students with practical knowledge of the issues involved in the valuation of a business and its equity. This firstly includes a fundamental understanding of the activities of the business and the reasons for undertaking the valuation. These issues are explored before 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 and the qualitative issues that may affect them. Students practically apply this knowledge by conducting their own analysis and valuation of a company as part of their assessment tasks.

### 2.2 Subject learning outcomes

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On successful completion of this subject, students should be able to:

1. Evaluate the qualitative factors that impact a business and its industry.
2. Apply earnings capitalisation multiples and other common valuation methodologies to value businesses and securities.
3. Analyse the results of a valuation of a business or equity securities.
4. Evaluate advanced business valuation issues such as tax implications, real options and intangibles.
5. Assess the valuation of businesses based on level of control and tradeability.
6. Assess the use of value-based techniques in valuing a business.

### 2.3 Topic learning outcomes

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#### Topic 1: Introduction to business valuation

On successful completion of this topic, students should be able to:

- analyse the key source of risks within an industry
- analyse the key risks peculiar to a business
- outline how features of the business interact with industry risks.

#### Topic 2: DCF: Issues in valuation

On successful completion of this topic, students should be able to:

- explain the issues that arise from using real rather than nominal cash flows and cost of capital
- explain the issues that arise from the use of cash flows taking into account gearing and taxation
- explain the reasoning behind conducting multiple cash flow scenarios
- evaluate the relevant factors to take into consideration and calculate an appropriate discount rate to match the cash flows
- discuss the issues surrounding dividend imputation and the cost of equity as they relate to DCF valuations
- evaluate different ways to account for risk in a DCF valuation.



### Topic 3: Earnings capitalisation and other methodologies

On successful completion of this topic, students should be able to:

- explain the concept of future maintainable earnings
- analyse the factors which need to be taken into account in comparing and applying valuation multiples
- apply PE, EBIT, EBITDA and EBITA multiples to value companies and securities
- compare PE, EBIT, EBITDA and EBITA multiples
- explain the circumstances in which a valuation could be made using a PE, EBIT, EBITDA or EBITA methodology
- apply the net realisable value and dividend yield methodologies to value a business.

### Topic 4: Accounting and taxation issues

On successful completion of this topic, students should be able to:

- apply components of the financial report of a company in the context of a valuation
- explain the adjustments that need to be made in order to normalise earnings for the purpose of conducting a valuation
- explain the main taxation concerns dealt with in the valuation process and their possible effect on future earnings
- explain the potential value of tax losses
- apply the different methodologies for incorporating tax losses into a valuation of a business or issued capital.

### Topic 5: Valuing portfolio and controlling interests

On successful completion of this topic, students should be able to:

- explain the concept of a control premium
- explain the differences between portfolio and controlling interest valuations
- critique the differences between the valuation of a portfolio or controlling interest
- explain how specific issues may give rise to a discount for lack of marketability of a listed security
- apply discounts for lack of marketability of privately owned companies.

### Topic 6: Real options

On successful completion of this topic, students should be able to:

- discuss approaches to asset valuation, including binominal option pricing
- explain option pricing terms
- calculate the value of the real option
- identify appropriate option pricing technique to use in particular situations
- apply the Black-Scholes option values approach and the binomial option pricing model in appropriate situations.

### Topic 7: Valuation of intangible assets

On successful completion of this topic, students should be able to:

- distinguish between an identifiable and unidentifiable intangible asset
- explain the accounting and legal reporting requirements for intangible assets
- explain the links between identifiable intangible assets and other intangible assets
- apply the various methods of valuing intangible assets and know when to use them
- explain the importance of relying on more than one valuation method
- discuss the need to crosscheck valuations against different methodologies for overall reasonableness.

### Topic 8: Valuation of small private companies

On successful completion of this topic, students should be able to:

- compare how methodologies differ between valuing small private companies and large public companies
- explain the reasons why a small private company's value relative to its earnings is often less than a large company's value relative to its earnings
- analyse the importance of goodwill multiples when valuing small private companies.

### Topic 9: Value-based analysis

On successful completion of this topic, students should be able to:

- explain why the use of cash-based financial measures has increased over time
- explain the differences between the applications of traditional valuation approaches and value-based management approaches
- apply value-based analysis techniques such as SVA and EVA<sup>®</sup> when valuing a business
- compare the relationships between the various shareholder value measures.

## 2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Task	Short-answer questions based on a case study	Week 4	1–3	20%	LO1–LO2
Assignment	In-depth case study analysis including development of Excel model	Week 7	1–5	40%	LO1–LO5
Exam	Short-answer and scenario-based questions	Week 12	6–9	40%	LO4–LO6

Please refer to our website <[www.kaplanprofessional.edu.au](http://www.kaplanprofessional.edu.au)> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

## 2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan's online databases. Students are encouraged to research and read widely on the topic.

## 2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Introduction to business valuation	8
2	Topic 2: DCF: Issues in valuation	10
3	Topic 3: Earnings capitalisation and other methodologies	12
4	<b>Task (Weighting 20%)</b> Topic 4: Accounting and taxation issues	12
5	Topic 5: Valuing portfolio and controlling interests	10
6	<b>Work on Assignment</b>	14
7	<b>Assignment (Weighting 40%)</b> Topic 6: Real options	12
8	Topic 7: Valuation of intangible assets	9
9	Topic 8: Valuation of small private companies	9
10	Topic 9: Value-based analysis	9
11–12	<b>Exam (Weighting 40%)</b>	15
<b>Total minimum study load</b>		<b>120 hours</b>

Additional study hours (if required), dependent on knowledge and personal commitments	60 hours
<b>Total study load, including additional study hours</b>	<b>180 hours</b>