



Carleton University
Sprott School of Business
Master of Business Administration
FINA 5512D Valuation

2015-W2 COURSE OUTLINE

Instructor: Professor Isaac Otchere
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Course Schedule & Location

Monday 6.05PM – 8.55PM: DT 328

Office Hours:

Tuesday: 3:00–4:30 pm or by appointment

Valuation

Valuation techniques needed for enterprise valuation. The identification of value drivers, insights into the valuation of companies in different settings. Step-by-step procedures for valuing businesses. Includes a team case analysis and presentation.

PREREQUISITES

[ACCT 5001](#), [ACCT 5002](#), [BUSI 5801](#), [FINA 5501](#) and [FINA 5502](#).

Students should have obtained a grade of B- or higher. **The School of Business enforces all prerequisites.**

Course Overview

This course focuses on the theory and practice of corporate valuation. Valuation is used in many settings. It is used for the purpose of investments, mergers and acquisitions and also when companies issue new shares or divest operations. In this course, we will explore the main valuation methods used by professional investors. The course focuses, among others things, on absolute valuation methods, relative valuation methods, developing an appropriate cost of capital, building financial (valuation) models. This practical, hands-on course is taught using formal lectures combined with interactive case studies and exercises to reinforce the concepts covered in class. As part of class preparation and in-class discussion, you will be asked to solve both quantitative and qualitative problems involving valuation of synergies and control premium and to determine the value of both publicly-traded and privately-owned companies. In addition, students will create their own excel-based valuation models which will be used to value a real life company. Through case studies and exercises involving problem solving in different areas of valuation, you will gain practical, hands-on experience of the various valuation techniques and financial modelling.

To stimulate critical thinking and to test your understanding of the material covered in the course you are required to apply the concepts discussed in class to determine the value of a real life company listed on the Toronto Stock Exchange or private firm of your choice. You and your group should select your company during or after the first class and email it to the instructor. The goal of this exercise is to provide you an opportunity to apply the concepts that will be discussed in class to a real company and to evaluate whether the firm is underpriced or overpriced in the marketplace.

Course Objectives

The objective of the course is to provide students with knowledge of

- the various valuation methods;
- what factors drive the value of firms
- how and when to apply valuation techniques, and the practical limitations of the various valuation techniques, the importance of understanding assumptions underlying business valuations;
- how the numerous tools and skills that you have learned in this and other courses are used in an integrated manner in valuing synergies and acquisition targets for the purpose of takeover.
- financial modelling tools to evaluate mergers and acquisitions transactions.

LEARNING OUTCOMES

On successful completion of this course students would be able to:

- identify and describe the various corporate valuation techniques;
- you will learn the advantages and disadvantages of different valuation approaches and understand how and why different valuation methods are used at different times.
- estimate the value of a takeover target;
- identify the challenges that face analyst when valuing firms;
- gain a thorough understanding of discounted cash flow valuation modelling concepts
- perform spreadsheet modelling, including discounted cash flows analysis, enterprise valuations and equity valuations.

Cellular Phones:

The use of cellular phones IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry a phone to class, please make sure it is turned off. If an emergency situation requires you to keep your cell phone turned on you may wish to keep the silent mode on. Please discuss this with the instructor prior to the class starting.

Drop Course Policy

Students can drop a course up until the END of the second week of classes. Students who drop a class in the third week will receive a WDN but will automatically have the grade changed to ABS. A grade of ABS is considered a failing grade. A required course will have to be taken again. Students with medical reasons and supporting documentation may petition the School to have the ABS grade changed back to WDN.

REQUIRED TEXT /MATERIAL

The prescribed textbook for this course is: *Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions, 7th edition, by Donald M. DePamphilis, Academic Press, 2014 (or any other edition).*

ADDITIONAL RESOURCES

The Globe and Mail Report on Business; The Financial Post; The *Wall Street Journal* and the London *Financial Times* also provide comprehensive daily coverage of financial and economic news. Also, try the websites of the following institutions: [CNN Finance](#) ; [The Financial Times](#); [The Economist](#)

ASSESSMENTS

The grade for the course will consist of:

Take home assignment (individual)	Due: Mar 21	5%
Quiz	Due: Mar 23	15%
Case Analysis	Due: Mar 30	10%
Live case study-Valuation of a company (group work)	Due: April 6	20%
Final examination	Date: April 13	50%

NOTE: The final exam will be comprehensive, covering material from the entire course. If you are awarded less than 50% on the final exam, you will receive an “F”, regardless of your total mark in the course.

NOTE: Students who do not demonstrate a minimum level of performance during the term will not be allowed to defer the final exam. The requirement for satisfactory in-term performance is an overall mark of 50% or better on the assignments and quiz(zes). Students with unsatisfactory in-term performance who miss the final exam will be awarded FND for the course.

Case Analysis:

Your group is required to analysis the case: Tom.Com: The Valuation of an Asian Internet Company (to be obtained from Ivey Business School, The University of Western Ontario).

Deferred Final Examination:

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MBA office in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

TENTATIVE LECTURE OUTLINE

Lecture	Topic	Chapter
1	Valuation techniques: A primer on cash flow valuation: Elements of the valuation process	Chp 7:
2	A primer on cash flow valuation Computing free cash flow	Chp 7:
3	Relative /Asset-based valuation methods	Chp 8:
4	Economic evaluation of mergers: Valuation of real options in mergers and acquisition	Chp 8:
5	Applying financial modelling/valuation techniques to mergers and acquisitions	Chp 9:
6	Valuing privately held firms/Case analysis: Wrap up	Chp 10

Policy on Mobile Devices

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

Group Work

The Spratt School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.

Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to

meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to <http://www.carleton.ca/pmc/> for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete *a letter of accommodation*. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at <http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>