

MBA V700
Strategic Business Analysis and Valuation
Winter 2020 Course Outline

AIC Institute for Strategic Business Studies
DeGroot School of Business
McMaster University

COURSE OBJECTIVE

To learn a logical framework and basic approaches, methods and principles to use to assess the value of a business.

INSTRUCTOR AND CONTACT INFORMATION

Michael R. Carnegie, BComm, CPA, CA, CBV

TBA

Instructor

Teaching Assistant

michael.r.carnegie@gmail.com

Office: 217B

Office Hours: Before Class

Tel: 289-260-9192

Class Location: RJC 263

Class Time: Monday, 8:30 AM to 11:30 AM

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	No	Group Work:	Yes	Oral Skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	Yes

COURSE DESCRIPTION

This course draws on concepts from financial economics, business strategy, accounting, and other business disciplines for assessing the values of businesses and business interests. It will be useful to students planning careers in investment banking, securities analysis, credit analysis, consulting, public accounting, and corporate management. Lectures will be supplemented by case analysis and other discussion material. The course focuses on

principles and systematic approaches. The course includes a review of underlying principles, business analysis, valuation methodologies, prospective analysis (forecasting), capital structure, and determining discount and capitalization rates.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Explain valuation principles and the difference between the open market and the notional market.
- Analyze a business for the purpose of:
 - Determining the appropriate valuation approach and method(s)
 - Analyzing and making normalization adjustments to historic financial results to reflect current conditions
 - Estimate/evaluate prospective cash flows
 - Estimate appropriate required rates of return
- Adjust for lack of control and illiquidity
- Prepare an appropriate and well-reasoned valuation report along with an executive summary of key valuation factors, assessments and conclusions

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials
<http://avenue.mcmaster.ca>

Business Valuation, 2012, Howard Johnson, CICA, ISBN 9781553856580

- Available at the bookstore

OPTIONAL COURSE MATERIALS AND READINGS

CICBV Course Notes – Level I Introductory Business Valuation

- Speak to Instructor

EVALUATION

Learning in this course results primarily from lectures and related readings on business analysis and valuation, in-class discussion, assignments, and research, analysis and presentation of a business-valuation report. All work will be evaluated on an individual basis except where group work is expected. Your final grade will be calculated as follows:

Components and Weights

Assignment 1	Valuation Exercise (individual)	5%
Assignment 2	Valuation Exercise (individual)	5%
Mid-term Test	Non-Case (individual)	20%
Assignment 3	Case Analysis (individual)	20%
Assignment 4	Business Valuation Report (30-35%) and in-class presentation (group) (10-15%)	45%
Participation	In-Class Contribution (individual)	5%
Total		100%

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

Letter Grade	Percent	Points
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

Assignments #1 and #2 – Valuation Exercise

These assignments are **each worth 5%** of your final grade and will be marked individually. They will be assigned during the course to apply concepts and aid discussion.

Mid-term Test

There is one test in the course that accounts for **20%** of your final grade. The test will cover material from the text book, readings, lectures and class discussion. The test will not cover optional readings. The format of the exam is multiple choice and short answer questions and is closed book.

Assignment #3 - Case Analysis

This assignment accounts for **20%** of your final grade and will be marked individually. You will be responsible for analyzing and preparing a solution to the case. Each solution must be completed individually.

Assignment #4 – Business-Valuation Report Analysis and In-Class Presentation

This assignment accounts for **45%** of your final grade and will be marked on a group basis. This assignment provides an opportunity to integrate and apply concepts and techniques covered in the course. It is a group project which requires the preparation of a value analysis of two businesses (that you select) from the same industry. This entails understanding and reflecting in the value analysis such matters as current economic conditions, current market conditions, key success factors and risks in the industry, required rates of return, strategies each of the firms pursues, issues relevant to the business, analysis of historic results and forecasting probable future results as necessary to assess the value the share equity using appropriate valuation methods.

You are encouraged to consult with the instructor concerning the industry and companies selected. The final written report should not exceed **30** pages (excluding title page, tables, graphs, appendices and references). A copy of your written report and presentation slides are to be handed in at the start of the last class. Typewritten reports should be 12-point, double spaced. Each group will present its project to the class (15 minutes) during the last session of the semester.

Participation

This aspect of the course work will account for 5% of your final grade. Discussion of course material and cases in class is an important part of the course work. Marks will be awarded based on an assessment of a variety of factors related to participation in such discussions. Name cards and class pictures are used to help give credit for your participation. You must have a name card with your **full first and last name** clearly written and displayed in front of you for every class.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a

maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is

for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA V700 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

MBA V700
Strategic Business Analysis and Valuation
Winter 2020 Course Schedule
[subject to revision]

WEEK	DATE	Assignment
1	Jan 6	Discuss: Class Outline, Schedule, Participation, Assignments Lecture: Overview of Business Valuation
2	Jan 14	Read: Johnson Text - Chapter 1 Lecture: Valuation Terms and Principles Read: Johnson Text - Chapter 2 Lecture: Business and Financial Analysis
3	Jan 20	Read: Chapter 4 131 – 156 Read: Chapter 5 Lecture: Capitalized Cash Flow Methodology
4	Jan 27	Lecture: Capitalized Cash Flow Methodology (continued) Discuss: Capitalized Cash Flow Exercise
5	Feb 3	Read: Johnson Text - Chapter 3 Lecture: Asset-Based Valuation Methodologies Due: Assignment #1 - Capitalized Cash Flow Exercise
6	Feb 10	Read: Johnson Text - Chapter 6 Lecture: Discounted Cash Flow Methodology Discuss: DCF Exercise
7	Feb 24	Read: Johnson Text - Chapter 7 Lecture: Rates of Return Due: Assignment #2 - Discounted Cash Flow Exercise
8	Mar 2	Due: In-Class Exam

WEEK	DATE	Assignment
9	Mar 9	Tutorial: Bloomberg Terminal Research
10	Mar 16	Read: Johnson Text - Chapter 10 Lecture: Notional Market Valuations Due: Assignment #3 - Case Analysis
11	Mar 23	Read: Johnson Text - Chapter 4 Lecture: Valuation Based on Multiples
12	Mar 30	Read: Johnson Text - Chapter 8 Lecture: Controlling and Minority Interests
13	Apr 6	Due: Assignment #4 - Comparative Business Valuation Analysis Report and In-Class Presentation