

MBA V700
Strategic Business Analysis and Valuation
Winter 2021 Course Outline

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

COURSE OBJECTIVE

- To learn the basic, high-level concepts and principles of business valuation, and
 - To learn several approaches and methods to assess business value.
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INSTRUCTOR AND CONTACT INFORMATION

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

Instructor

michael.r.carnegie@gmail.com

Tel: 289-260-9192

Class Location: Live - On Line

Class Time: Thursday, 7:00 PM to 10:00 PM

TBA

Teaching Assistant

T.B.D

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	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):	TBD

COURSE DESCRIPTION

In this course, concepts from finance, accounting, economics, business strategy, and other business disciplines are combined and implemented to assess the values of businesses and business interests. The focus is on the high-level concepts, principles and methods employed in this discipline. The course will be useful to students planning careers in business valuation, investment banking, securities analysis, credit analysis, consulting, public accounting, and corporate management. Lectures will be supplemented by case analysis (examples) and other discussion material. The course includes instruction with respect to valuation concepts and principles, valuation approaches and methodologies, capital structure, business analysis (including historical and forecasting), and the cost of capital (discount/capitalization rates).

LEARNING OUTCOMES

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

- Explain valuation concepts and 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 (project) prospective cash flow
 - Estimate appropriate required rates of return
- Consider and make adjustments for lack of control and illiquidity
- Prepare an appropriate and well-reasoned valuation report along with an executive summary of key valuation factors, assessments, calculations, conclusions, and to some extent, recommendations

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

EVALUATION

Learning in this course results primarily from lectures and related readings, in-class discussion, and assignments (which involve the preparation and presentation of business-valuation calculations and/or reports. 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%
Core Knowledge 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%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

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

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.

Core Knowledge 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, lectures, and class discussion. The format of the test is a combination of multiple choice and short-answer questions. Just like in the “real” world, the test is open 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 – Valuation Report Analysis and In-Class Presentation

This assignment accounts for **45%** of your final grade and will be marked on a group basis. The assignment requires the integration and application of concepts and techniques covered in the course. It is a group project which requires the preparation of value analyses and a valuation report. Each group will select two businesses 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, each of the firms’ strategies, issues relevant to the business, analysis of historic results and forecasting probable future results as necessary to assess the value of the share equity using appropriate valuation methods. To give a “real” world flavour, the assigned objective is to make a recommendation to the imaginary person or entity engaging your group for the project. Therefore, each group also creates the scenario and assigned purpose/objective.

You are encouraged to consult with the instructor concerning the industry and companies selected, and the scenario (assigned objective) 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 (approximately 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. To be eligible for participation credit in any particular on-line class, you must be in attendance with your video feed on and the instructor must be able to correlate your displayed name with the class list.

COMMUNICATION AND FEEDBACK

Students that are not comfortable 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.

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

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ON-LINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

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.degroot.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.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

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>

RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

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 2021 Course Schedule
[subject to revision]

WEEK	DATE	Assignment
1	Jan 14	Read: Johnson Text – Forward, Preface, and Chapter 1 (pages 1-11) Also, review the Glossary of Defined Terms Discuss: Class Outline, Schedule, Participation, Assignments Lecture: Overview of Business Valuation (concepts, methods, and approaches. Presentation: The Art and Science of Business Valuation
2	Jan 21	Read: Johnson Text – The rest of Chapter 1 Lecture: Valuation Terms and Principles Read: Johnson Text - Chapter 2 Lecture: Chapter 2 – focus on Economic, Business, and Industry Analysis
3	Jan 28	Lecture: Continue Chapter 2 – Focus on Financial Statement Analysis Read: Chapter 4, pages 129 – 156 Read: Chapter 5 Lecture: Capitalized Cash Flow Methodology – Part 1
4	Feb 4	Stop/Start discussion and course modifications (if any) Lecture: Capitalized Cash Flow Methodology – Part 2 Discuss: Capitalized Cash Flow Exercise
5	Feb 11	Due: Assignment #1 - Capitalized Cash Flow Exercise Read: Johnson Text - Chapter 6 Lecture: Discounted Cash Flow Methodology Discuss: DCF Exercise
6	Feb 25	Due: Assignment #2 - Discounted Cash Flow Exercise Read: Johnson Text - Chapter 3 Lecture: Asset-Based Valuation Methodologies
7	Mar 4	Read: Johnson Text – Chapter 7 Lecture: Rates of Return
8	Mar 11	Due: In-Class Core-Knowledge Test Discuss: Assignment # 3 Case Analysis

WEEK	DATE	Assignment
9	Mar 18	Due: Assignment #3 - Case Analysis Read: Johnson Text - Chapter 10 Lecture: Notional Market Valuations (including reporting best practices for internal and external reports)
10	Mar 25	Read: Johnson Text - Chapter 4 – to page 175 only Lecture: Valuations based on multiples
11	Apr 1	Read: Johnson Text - Chapter 9 Lecture: Valuation Potpourri & Special Topics (send requests by Mar. 31 st) Including Open-Market Transactions (Chapter 11) if time permits
12	Apr 8	Due: Assignment #4 - Comparative Business Valuation Analysis Report and In-Class Presentation