

Business V704
Advanced Business Valuation Concepts and Applications
Fall 2020 Course Outline

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

COURSE OBJECTIVE

Building on the technical valuation techniques, approaches and methods in V700, this course is designed for rich discussion and engagement with a practical focus on the impact that different situations, goals and objectives have on the value conclusion.

INSTRUCTOR AND CONTACT INFORMATION

Tuesday 19:00 - 22:00
Instructor – Bobby Hinduja, CPA, CA, CBV

hindujar@mcmaster.ca

Online Office Hours: By Appointment Only

Course website: <https://avenue.cllmcmaster.ca/d2l/home/340874>

COURSE ELEMENTS

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

COURSE DESCRIPTION

The goal of this course is to get you thinking about complicated valuation issues in a practical mindset – much like a professional business valuator would do in practice.

This course is divided into 4 distinct sections:

1. Valuations in an advisory context;
2. Valuations for litigation purposes;
3. Valuations for other non-litigation purposes; and
4. Current professional practice issues.

Assessing the value of a business requires an analysis and weighting of all value drivers, both tangible and intangible, quantitative and qualitative, and those that are within the control of management (internal), and those that are not (external). The first section of this course focuses on measuring, enhancing, and managing the value of businesses, and the culmination of the management of value process in the merger and acquisition or divestiture process. Advanced topics such as deal structure, marketing a deal, tax implications, value allocation, and intangible assets.

In the second section of this course, we will learn about the legal environment for which many business value assessments are required. Concepts of Canadian business law will be explored including shareholder and partner disputes, matrimonial breakdown and the quantification of economic damages. The differentiation between a non-independent advisor and an independent expert will be discussed.

In the third section of this course, we will discuss the work which valiators perform for purposes outside of the M&A and litigation realm, and how such engagements differ from those with a litigious or M&A purpose.

The first three sections of the course deal with the identification of the drivers of value in different valuation scenarios, and the actions taken by a valuator once these drivers of value have been established.

In the last section of this course, current “hot topics” in business valuation practices will be explored, including professional liability, independence, and reporting issues.

In addition to the above, in-depth discussions about the sources of the inputs to various valuation models will be explored and discussed. The market for private companies and the contrast to the public market will be discussed along with differences in valuation metrics and processes.

The course culminates in a team case analysis and presentation incorporating:

- Value measurement and
- Value management, including value-enhancement strategy identification and implementation.

LEARNING OUTCOMES

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

- Assess businesses, and their value, for various situation and purposes.
- Allocate value among various classes of securities.
- Assess justifiable values for new business opportunities by comparing the required invested capital, the expected return on invested capital, and the weighted average cost of capital.
- Assess valuation approaches for mergers, acquisitions and divestitures.
- Identify the sources of information to be input into valuation-assessment models and understand the ways to test the integrity/reliability of that information.
- Assess the drivers of value in numerous enterprise types, and develop appropriate valuation methodologies.
- Provide ideas to management which will result in an increase in shareholder (and other stakeholder) enterprise or equity value.
- Explain valuation issues and other issues related to various types of legal disputes.
- Explain valuation issues and other issues related to various types of non-litigious valuation assignments.
- Understand non-routine business and operating factors which affect value, and assess the effect that such factors have on value.
- Identify situations in which a valuator may encounter a professional practice issue, and explain the steps which a professional should take in such situations.

REQUIRED COURSE MATERIALS AND READINGS

- Course Notes - “Litigation Support in Business Valuation” (The Canadian Institute of Chartered Business Valuators) – To Be Discussed
- Howard E. Johnson, *Business Valuation*, Howard E. Johnson, 2012
- Various articles and other publications will be provided in advance of lectures.

EVALUATION

Learning in this course results primarily from class preparation (readings), in-class discussion and exercises, and guest lecturers. The instructor will provide real-world examples to bring clarity to the readings and discussions. Students are required to do the same.

Students will be evaluated on:

- A) Their participation in, and contribution to, the class;
- B) Their performance on an in-class commentary of current events or issues in valuation;
- C) Their performance on an assignment and a test of core knowledge;
- D) Group work for a major case analysis, in which case group members will share the same grade.

Your final grade will be calculated as follows:

Components and Weights

In-class participation (individual)	15%
Current events commentary (individual)	15%
Assignment	15%
Technical core knowledge test*	15%
Group Project - Case Analysis, Report and Presentation	40%
Total	100%

* If technology doesn't allow for it, this will be reallocated among the other course components.

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

<http://www.mcmaster.ca/policy/Students-AcademicStudies/examinationindex.html>

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.degrote.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 DeGroote website at <http://mbastudent.degrotee.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 exam 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 DeGroote website at <http://mbastudent.degrote.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 V704 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

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Advanced Business Valuation Concepts and Applications
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WEEK	DATE	ASSIGNMENT
1	September 15 (Phase 1 - Intro and Recap)	<ul style="list-style-type: none"> • Introduction to the class • CICBV Program of Studies • Valuation profession • Core valuation concepts and basics of value (Johnson Ch. 1) • Brief re-cap of: <ul style="list-style-type: none"> ◦ Earnings-based valuation methodologies (Johnson Ch. 5, 6) and cost of capital (Johnson Ch. 7) ◦ Asset-based Valuation Methodologies (Johnson Ch. 3, 9 - "Holding Companies")
2	September 22	<ul style="list-style-type: none"> • Comparable Transactions and Companies • Rules of Thumb • Implied goodwill and intangible assets (Johnson Ch. 9 – "Intangible Assets") • Current Events Valuation Commentary by Bobby • Review of Week 1 Exercises.
3	September 29 (Introduction to Phase 2 – Valuator as Advisor)	<ul style="list-style-type: none"> • Two Current Event Commentary Presentations • After the enterprise value conclusion: <ul style="list-style-type: none"> ◦ Triangulation of value calculations ◦ Enterprise value vs. equity value ◦ Allocation of value amongst securities ◦ Discounts and premiums • Value Creation: <ul style="list-style-type: none"> ◦ Fundamental principles of value creation, ROIC, and growth
4	October 6 (Phase 2 – Valuator as Advisor)	<ul style="list-style-type: none"> • Two Current Events Commentary Presentations • Value Creation: <ul style="list-style-type: none"> ◦ Reorganizing the F/S ◦ Analyzing performance and competitive position Corporate portfolio strategy and performance management

5	October 13	<ul style="list-style-type: none"> Two Current Events Commentary Presentations Mergers, Acquisitions & Divestitures (Johnson Ch. 11) <ul style="list-style-type: none"> Creating value through M&A Selling a business to management vs. externally Creating value through divestitures Marketing and negotiating the deal Acquisition and divestiture strategies and processes Value maximization as a business strategy
6	October 20	<ul style="list-style-type: none"> Assignment Due at 5:00pm M&A Discussion Continued Deal Structure <ul style="list-style-type: none"> Assets vs. Shares Bridging the gap
7	October 27	<ul style="list-style-type: none"> Take up of Assignment Two/Three Current Events Commentary Presentations Investor Communications Public Market Behaviour Take-Over Bids; Insider/issuer bids; Going Private
8	November 3 (Phase 3 – Valuator as Independent Expert)	<ul style="list-style-type: none"> Two/Three Current Events Commentary Presentations Litigation-Related Valuations (Johnson Ch. 10 – see applicable sections in “Notional Market Valuations”) <ul style="list-style-type: none"> Partner and Shareholder Disputes (Johnson Ch. 8 – “Shareholder Rights and Remedies” and “Shareholder Agreements”) Matrimonial breakdown
9	November 10	<ul style="list-style-type: none"> Other Economic Disputes (valuing the claim) <ul style="list-style-type: none"> Breaches of contract Business interruption Expropriation Personal injury and wrongful death

10	November 17 (Phase 4 – Practice Management)	<ul style="list-style-type: none"> • In-Class Test #2 • Professional Practice Issues • Common issues with notional market valuations (Johnson Ch. 10 – “Common Issues with Notional Market Valuations”) <ul style="list-style-type: none"> ▪ Common deficiencies in business valuation reports and critiques ▪ Legal responsibility and risk mitigation • New and emerging professional practice issues
11	November 24	<ul style="list-style-type: none"> • Take up of Test • Non-litigious valuations: (Johnson Ch. 10 – see applicable sections in “Notional Market Valuations”) <ul style="list-style-type: none"> ◦ Valuation for tax purposes ◦ Valuation for financial reporting • Group Presentation Discussion
12	December 1	<ul style="list-style-type: none"> • 2 Group Presentations (depending on class size) • Course evaluation (15 minutes)
13	December 8	<ul style="list-style-type: none"> • 3 Group Presentations (depending on class size)