

EF4314: CORPORATE VALUATION

Effective Term

Semester A 2024/25

Part I Course Overview

Course Title

Corporate Valuation

Subject Code

EF - Economics and Finance

Course Number

4314

Academic Unit

Economics and Finance (EF)

College/School

College of Business (CB)

Course Duration

One Semester

Credit Units

3

Level

B1, B2, B3, B4 - Bachelor's Degree

Medium of Instruction

English

Medium of Assessment

English

Prerequisites

FB2100/CB2100 Accounting I or CB2100 Introduction to Financial Accounting AND
FB3410 Financial Management or CB3410 Financial Management

Precursors

Nil

Equivalent Courses

Nil

Exclusive Courses

Nil

Part II Course Details

Abstract

This course aims to provide students with advanced level training in analyzing corporate fundamentals with emphasis on financial statement analysis and security valuation. The coursework and final examinations will assure students' understanding of the various valuation models and theories. The group projects and in-class discussions will help students to discover and innovate by applying valuation techniques to practical issues. Students are encouraged to perform financial statement analysis and valuation on real firms and compare results with those from the databases and/or media reports. Through these activities, students will also be able to comprehend the difficulties and limitations of valuation, and strengthen their discovery skills on examining factors affecting valuation of firms.

Course Intended Learning Outcomes (CILOs)

CILOs		Weighting (if DEC-A1 DEC-A2 DEC-A3 app.)			
1	Identify various types of business activities and describe their reporting in financial statements.	15	x	x	
2	Reformulate published financial statements to facilitate valuation Evaluate the quality of corporate financial statements and discuss the issue of accounting quality and the convergence of international financial reporting.	25	x	x	x
3	Apply various valuation technologies to pricing firms/projects. Explain the performance and value of a company based on its financial statements. Describe the off-balance sheet risk items in an international setting (e.g., related to gains/losses due to exchange rates and derivatives price movements) and their effect on firm performance. Identify the differences in equity valuation in different financial markets.	50	x	x	x
4	Explain the pros and cons of various technologies and identify the limitations of valuation.	10	x	x	x

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Learning and Teaching Activities (LTAs)

LTAs		Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	Students will engage in formal lectures to gain knowledge about corporate valuation.	2, 3	3 hours seminar and student self study

2	Peer Discussion	Students will engage in structured discussion with peers to identify areas to improve on in their returned assessment tasks.	1, 2, 3, 4	
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Assessment Tasks / Activities (ATs)

ATs		CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	Individual assignments	1, 2, 3, 4	10	
2	Group Project and presentation	1, 2, 3, 4	30	

Continuous Assessment (%)

40

Examination (%)

60

Examination Duration (Hours)

2.5

Additional Information for ATs

Students are required to pass both coursework and examination components in order to pass the course.

Assessment Rubrics (AR)**Assessment Task**

Final examination (2.5 hour exam)

Criterion

1. Ability to present material in a logical manner
2. Ability to correctly compute financial ratios
3. Ability to identify why a firm performs well

Excellent (A+, A, A-)

Outstanding

Good (B+, B, B-)

High

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not reaching marginal level

Assessment Task

Individual assignments

Criterion

Ability to apply class material to assigned problems

Excellent (A+, A, A-)

Outstanding

Good (B+, B, B-)

High

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not reaching marginal level

Assessment Task

Group Project and presentation

Criterion

Ability to demonstrate critical understanding of the course material

Excellent (A+, A, A-)

Outstanding

Good (B+, B, B-)

High

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not reaching marginal level

Part III Other Information

Keyword Syllabus

1. Introduction to investing and valuation
2. Business activities and financial statements
3. Historical cost accounting, Mark-to-market accounting, fair value accounting
4. Dividend discount valuation
5. Discounted free cash flow valuation
6. The residual earnings (RE) valuation model
7. The abnormal earnings growth (AEG) valuation model
8. The residual operating income (ReOI) valuation
9. Dirty-surplus accounting and comprehensive income

10. Hidden dirty-surplus accounting losses relating to employees stock options
11. The reformulation and analysis of the statement of shareholders' equity
12. The reformulation and analysis of Balance sheet and income statement
13. The reformulation and analysis of Cash flow statement
14. Earnings quality

Reading List

Compulsory Readings

Title	
1	Stephen Penman, Financial Statement Analysis and Security Valuation (McGraw Hill, current edition)

Additional Readings

Title	
1	Lecture notes, newspaper clippings and selected articles from Journal of Finance, Financial Analyst Journal, Review of Accounting Studies and other sources. In particular, the following articles are very useful for you to gain an overall picture of this course. - Nissim, D. and Penman, S.H., 2001, Ratio Analysis and Equity Valuation: from Research to Practice, Review of Accounting Studies 6: pp.109-154. - Lee, C.M.C and Swaminathan, B., 1999, Valuing the Dow: A Bottom-Up Approach, Financial Analysts Journals 55, pp.4-23.
2	Stowe, J.D., Robinson, T.R., Pinto, J.E., and McLeavey, D.W., 2002, Analysis of Equity Investments: Valuation, AIMR Publishing, Chartered Financial Analyst (CFA) Examinaiton study text.
3	Koller, T., Goedhart, M., and Wessels, D. Valuation: Measuring and Managing the Value of Companies, McKinsey & Company Inc., 4th Edition, 2004.