

**Business V700  
Strategic Business Analysis and Valuation  
Fall 2009 Course Outline**

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

**COURSE OBJECTIVE**

- To learn a logical framework to analyse and value a business

**INSTRUCTOR AND CONTACT INFORMATION**

**Robert Boulton CA, CBV**

Instructor  
[boultonb@cicbv.ca](mailto:boultonb@cicbv.ca)

Office: TBA  
Office Hours: By Appointment  
Tel: (416) 977-1117 ext 223  
Class Location: KTH 104  
Class Time: Tues. 2:30-5:20 PM

**Wendy Boles**

Admin. Secretary  
[bolesw@mcmaster.ca](mailto:bolesw@mcmaster.ca)

Office: DSB 203  
Office Hours: 08:30 – 4:30  
Tel: (905) 525-9140 x 24436

**COURSE ELEMENTS**

Credit Value: 3	Team skills: Yes	IT skills: No	Global: Yes
ELM: Yes	Verbal skills: Yes	Numeracy: Yes	Political: No
Participation: Yes	Written skills: Yes	Innovation: Yes	Social: Yes

**COURSE DESCRIPTION**

This course draws on concepts from financial economics, business strategy, accounting, and other business disciplines for valuing 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 developing a systematic approach to analyzing and valuing businesses. This approach includes a review of underlying principals, business analysis, review of valuation methodologies, prospective analysis, review of capital structure and determination of discount and capitalization rates. These tools are then applied in a value analysis of two businesses in the same industry.

***Business Valuation - Components***

1. Overview
2. Valuation Principles
3. Business Analysis
4. Capitalization of Cash Flow
5. Discounted Cash Flow
6. Forecasting
7. Capital Structure
8. Discount and Capitalization Rates
9. Comparative Analysis
10. Other Valuation Methodologies

**REQUIRED COURSE MATERIALS**

**Text:** Campbell and Johnston, *The Valuation of Business Interests* - available in the Bookstore (The Tank)

**Text Excerpt:** Palepu & Healy, *Business Analysis & Valuation Using Financial Statements* – Chapter 6 – distributed in class

**EVALUATION**

- Class Participation
- In Class Quiz
- Case Write-up Assignment                      Individual,
- Term Project    Group

## ***Components and Weights***

Class Participation	15%
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Quiz	20%
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Case Assignment	25%
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Valuation Project	40%
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Total	100%
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### ***Class Participation: (Individual) 15%***

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.

### ***In Class Quiz (Individual) 20%***

The quiz will cover material in Chapters 1 to 5 of the Campbell text, lectures and class discussion.

### ***Case Assignment: (Individual) 25%***

Assignment will be collected at the beginning of the class. **Late assignments will not be accepted.**

### ***Valuation Project: (Group) 40%***

The valuation project provides you with the opportunity to integrate and apply concepts and techniques covered in the course. It is a group project which requires you to select two firms from an industry, summarize the economics, current conditions, key success factors and risks in the industry, evaluate the strategies each of the firms pursues, identify accounting issues relevant to the analysis of tangible and intangible assets of the firm and perform a financial analysis and forecasts as necessary and value the share equity using alternative valuation methods.

You are required to submit an interim report (maximum 5-pages,) covering the industry selected and background and the companies selected for analysis. Your final report should not exceed **30** pages, excluding title page, tables, graphs, appendices and references. In addition, it should include the most recent financial statements for the companies you analyzed. A copy of your written report is 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 during the last session.

### **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	LETTER GRADE	PERCENT
A+	90 - 100	C+	60 - 64
A	85 - 89	C	55 - 59
A-	80 - 84	C-	50 - 54
B+	75 - 79	F	00 - 49
B	70 - 74		
B-	65 - 69		

### **Participation**

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. A photograph of the class will be taken during class. This photograph will be used by the instructor to evaluate your participation. Therefore, once the photograph is taken, you **MUST** always attend that section of this course. If you continue to switch sections throughout the term, you will **NOT** be guaranteed any participation marks for those classes you attend outside your photographed section.

Instructors will feel free to **cold-call** on anyone at any time. Hence, it is imperative that you prepare for each and every case and reading. In general, contributions are evaluated in an ascending order from physically but not mentally present, to good chip shots, to quite substantial comments, to case cracking contributions. Debate and challenge are important activities that help in the learning process and the willingness of individuals to engage in such activities with their classmates is appreciated. However, using **air-time** involves an obligation to actually contribute. None of us has time for recitation of case facts, bland summaries of prior discussion, and so on, that are devoid of implications. Before you speak, always answer the question **so-what?** Participation will **NOT** be graded by counting each contribution a student makes. Participation will be graded by examining the quality of contributions in each class.

## COMMUNICATION AND FEEDBACK

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

<http://www.degroote.mcmaster.ca/curr/emailchairs.aspx>

Students who wish to correspond with instructors 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.

Instructors should 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

It is the student's responsibility to understand what constitutes academic dishonesty. Please refer to the University Senate Academic Integrity Policy at the following URL:

<http://www.mcmaster.ca/univsec/policy/AcademicIntegrity.pdf>

This policy describes the responsibilities, procedures, and guidelines for students and faculty should a case of academic dishonesty arise. Academic dishonesty is defined as to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. Please refer to the policy for a list of examples. The policy also provides faculty with procedures to follow in cases of academic dishonesty as well as general guidelines for penalties. For further information related to the policy, please refer to the Office of Academic Integrity at:

<http://www.mcmaster.ca/academicintegrity>

## COPYRIGHT

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<http://library.mcmaster.ca/about/copying.pdf>

## **MISSED TESTS AND ASSIGNMENTS**

The Faculty of Business has approved the following policy:

When students miss a regularly scheduled mid-term exam for legitimate reasons, as adjudicated by the Academic Programs Office (APO), the weight for that exam will be redistributed across other evaluative components of the course as deemed most appropriate by the instructor.

There is one exception to this “no make-up” rule.

If a student has a documented stress-related or retention-related disability (assessed through the Centre for Student Development) that is in conflict with mark redistribution, then a make-up exam may be given. In such cases, the test/exam will be administered through the CSD.

When a student cannot write a final exam for documented, legitimate reasons, the student will be granted a deferred exam privilege.

Instructors cannot themselves allow students to unofficially write make-up exams/tests for finals. Adjudication of the request must be handled by the APO.

For any other issues pertaining to missed exams, tests or assignments, please contact the APO.

## **STUDENTS WITH DISABILITIES**

Students with disabilities are required to inform the Centre for Student Development (CSD) of accommodation needs for examinations on or before the last date for withdrawal from a course without failure (please refer to official university sessional dates). Students must forward a copy of such CSD accommodation to the instructor immediately upon receipt. If a student with a disability chooses NOT to take advantage of a CSD accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The CSD website is:

<http://csd.mcmaster.ca>

## **POTENTIAL MODIFICATIONS 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.

<b>COURSE SCHEDULE</b>
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**Business V700**  
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<b>WEEK</b>	<b>TOPIC</b>
1 Sept 15	<b>Introduction and Overview</b>
2 Sept 22	<b><u>Business Valuation and Pricing</u></b> Read: Chapter 1 of Campbell text prior to class <b><u>Valuation Terms and Principles</u></b> Read: Chapter 2 of Campbell text prior to class <b><u>Business Analysis</u></b> Read: Chapter 3 of Campbell text prior to class
3 Sept 29	<b><u>Capitalization of Discretionary Cash Flow Methodology</u></b> Read: Chapter 4 of Campbell text prior to class
4 Oct 6	<b><u>Capitalization of Discretionary Cash Flow Methodology</u></b>
5 Oct 13	<b><u>Discounted Cash Flow Methodology</u></b> Read: Chapter 5 of Campbell text prior to class
6 Oct 20	<b><u>Discounted Cash Flow Methodology</u></b> Quiz
7 Oct 27	<b><u>Prospective Analysis: Forecasting</u></b> Read: Chapter 6 of Palepu & Healy prior to class <b>Individual Assignment Due:</b> To be distributed

<b>WEEK</b>	<b>TOPIC</b>
8 Nov 3	<b><u>Capital Structure</u></b> <b>Read:</b> Chapter 7 of Campbell text prior to class
9 Nov 10	<b><u>Discount and Capitalization Rates</u></b> <b>Read:</b> Chapter 8 of Campbell text prior to class  <b>Due: Group Term Project Interim Report, at the beginning of the class</b>
10 Nov 17	<b><u>Comparative Analysis</u></b> <b>Read:</b> Chapter 9 of Campbell text prior to class
11 Nov 24	<b><u>Other Valuation Methodologies</u></b> <b>Read:</b> Chapter 10 of Campbell text prior to class
12 Dec 1	<b><u>Group Term Project Presentation</u></b> (1) Turn in one copy of the final report of valuation project at the beginning of class. (2) Each group presents its valuation project to the class. If PowerPoint slides are used, provide the instructor with a copy of the slides at the beginning of the class.