

BUSINESS ANALYSIS AND VALUATION (AC215)

Course duration: 54 hours lecture and class time (Over three weeks)

LSE Teaching Department: Department of Accounting

Lead Faculty: Prof. Joanne Horton and Dr. Sonia Konstantinidi

Pre-requisites: Introductory accounting and introductory finance

Course Aims and Learning Outcomes:

This course aims to introduce students to business analysis and valuation. By the end of the course, students should be able to apply an economic framework enabling them to analyze a firm's expected performance and value the firm's shares.

Brief Course Outline:

This course first introduces and develops an economic framework for business analysis and valuation. This framework covers key analysis components such as business strategy analysis, accounting analysis, financial analysis, and prospective analysis, with a strong emphasis on equity (stock) valuation. This framework is then applied to a variety of decision contexts including valuation, merger and acquisition analysis, and corporate financial policies analysis.

Each of the topics introduced in this course covers both institutional details and results of relevant academic research. It is furthermore supported by a case study. This course should thus appeal to students interested in corporate finance, equity research, fund management, and strategy consulting.

Core Texts:

- K. Palepu, P. Healy, V. Bernard and E. Peek, *Business Analysis and Valuation: Using Financial Statements, Text and Cases*, CENGAGE (2013). (Earlier editions can also be used.)
- J. Pinto, E. Henry, T.R. Robinson, J.D. Stowe, *Equity Asset Valuation* (CFA Institute Investment Series) 3rd edition (2015), John Wiley & Sons Ltd.

Teaching Arrangements:

Teaching arrangements consist of both lectures and classes.

Schedule of Lectures and Classes:

	Morning	Afternoon
Week 1		
Monday	Lecture 1	
Tuesday	Lecture 2	Class 1
Wednesday	Lecture 3	Class 2
Thursday	Lecture 4	Class 3
Friday	Lecture 5	Class 4
Week 2		
Monday	Lecture 6	Class 5
Tuesday		Revision Class 1
Wednesday	Mid-Term Exam*	
Thursday	Lecture 7	Class 6
Friday	Lecture 8	Class 7
Week 3		
Monday	Lecture 9	Class 8
Tuesday	Lecture 10	Class 9
Wednesday	Lecture 11	Class 10
Thursday	Lecture 12	Revision Class 2
Friday	Final Exam*	

*Exams may be scheduled at any time between 9am – 5pm on these days.

Assessment:

- Mid-course exam: 50%
- Final exam: 50%

Detailed Course Outline

Week 1

Monday: Lecture One - Introduction to Business Analysis and Valuation

Reading: Chapter 1 [Palepu, Bernard, and Healy]

Tuesday: Lecture Two – Business Analysis and Strategy

Reading: Chapter 2 [Palepu, Bernard, and Healy]

Case Study: Starbucks

Wednesday: Lecture Three - Accounting Analysis

Reading: Chapters 3 and 4 [Palepu, Bernard, and Healy]

Case Study: AOL

Thursday: Lecture Four - Financial Analysis

Reading: Chapter 5 [Palepu, Bernard, and Healy]

Case Study: The Home Depot

Friday: Lecture Five – Cash Flow Analysis

Reading: Chapter 5 [Palepu, Bernard, and Healy]

Case Study: The Home Depot

Week 2

Monday: Lecture Six – Prospective Analysis: Forecasting

Reading: Chapter 6 [Palepu, Bernard, and Healy]

Case Study: Starbucks Inc

Tuesday: Revision Class One

Reading:



Wednesday: Mid-Sessional Exam

Reading:

Thursday: Lecture Seven – Return Concepts

Reading: Chapter 2 [Equity Asset Valuation, CFA Institute]

Friday: Lecture Eight – Cash Flow-Based Valuation

Core Reading: Chapters 3 & 4 [Equity Asset Valuation, CFA Institute]

Week 3

Monday: Lecture Nine – Accounting-based Valuation

Core Reading: Chapter 5 [Equity Asset Valuation, CFA Institute]

Tuesday: Lecture Ten – Accounting-based Valuation

Core Reading: Chapter 5 [Equity Asset Valuation, CFA Institute]

Wednesday: Lecture Eleven – Market-based Valuation

Core Reading: Chapter 6 [Equity Asset Valuation, CFA Institute]

Thursday: Lecture Twelve – Mergers and Acquisitions and Financial Policies

Core Reading: Chapter 11 [Palepu, Bernard, and Healy]

Friday: Final Examination

There will be no lecture today.

Credit Transfer: If you are hoping to earn credit by taking this course, it is advisable that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk