

Course information 2025-26

AC3143 Valuation and Securities Analysis

General information

MODULE LEVEL: 6

CREDIT: 30

NOTIONAL STUDY TIME: 300 hours

MODE: Locally Taught and Independent Learner Route Only (not available for Online Taught students)

Summary

This course provides insights and understanding of security analysis and valuation from both theoretical and empirical perspectives. It is aimed at students who are interested in equity research, corporate finance, and fund management.

Conditions

Please refer to the relevant programme structure in the EMFSS Programme Regulations to check:

- where this course can be placed on your degree structure; and
- details of prerequisites and corequisites for this course.

You should also refer to the Exclusions list in the EMFSS Programme Regulations to check if any exclusions apply for this course.

Aims and objectives

This course is aimed at students interested in equity research, corporate finance, and fund management. It is designed to provide the tools, drawn from accounting, finance, economics, and strategy, required to:

- analyse the performance of securities,
- value securities,
- assess returns on active investment strategies.

Furthermore, it provides empirical evidence on returns to fundamental and technical analysis.

Learning outcomes

At the end of this course, and having completed the Essential Reading and activities, students should be able to:

- Carefully analyse the financial performance of given securities and critically review equity research published by financial analysts.
- Competently apply valuation technologies required in corporate finance with minimum guidance.
- Critically assess third-party valuation reports.
- Recall main insights and key facts of the fund management industry.
- Clearly recognise the difficulties associated with measuring abnormal returns in fundamental and technical analysis.

Employability skills

Below are the three most relevant employability skills that students acquire by undertaking this course which can be conveyed to future prospective employers:

1. Complex problem solving
2. Communication
3. Digital skills

Essential reading

For full details please refer to the reading list.

Palepu, K., Healy, P. and E. Peek Business analysis and valuation (IFRS Edition) (Cengage Learning EMEA, 2022) sixth edition [ISBN 9781473779075].

Assessment

This course is assessed by a three-hour and fifteen-minute closed-book written examination.

Syllabus

The analysis framework and financial statements. The setting: investors, firms, securities and financial markets. The framework for analysis. Business strategy analysis. Industry analysis. Competitive strategy analysis. Sources of competitive advantage. Achieving and sustaining competitive advantage. Accounting analysis. Financial analysis. Prospective analysis.

Introduction to stylised financial statements. Stylised profit and loss, balance sheet and cash flow statements.

Financial analysis: performance evaluation. Concept of comprehensive earnings. Earnings and stock returns. Bottom-line profitability. Cost of equity capital. Concept of residual earnings. Accounting rates of return and stock rates of return.

Financial analysis: the determinants of performance. Business profitability. Economic value added. Link between business and bottom-line profitability. Determinants of business profitability. Business profitability and free cash flows.

Accounting and strategy analysis. Overview of the institutional setting. Industry analysis. Corporate strategy analysis. Sources of competitive advantage. Accounting analysis. Factors influencing accounting quality. Assessing the quality of accounting

Prospective performance evaluation and valuation. The method of comparables. Forecasting: simple forecasting and full information forecasting. Empirical evidence on the behaviour of accounting rates of return, residual earnings, economic value added, and financial leverage. A full-information forecasting template.

Securities valuation. Introduction to valuation methods based on dividends, free cash flows, residual earnings and economic value added. Properties associated with different valuation methods. Empirical evidence.

Implications for price-to-earnings and price-to-book ratios. Determinants of price-to-book ratios. Residual earnings growth. Determinants of price-to-earnings ratios. Empirical evidence. Strategic taxonomy. Implications of strategic taxonomy for price-to-book and price-to-earnings ratios. Empirical evidence on the joint distribution of price-to-book and price-to-earnings ratios.

Applications of valuation and securities analysis. Valuation of internet stocks and tech start-ups. Financial measures vs non-financial measures in the valuation of these stocks. Credit analysis and distress prediction. The credit analysis process. Determination of debt ratings. Financial distress predictions. *Mergers and acquisitions.* Motivation for mergers and acquisitions. Strategic and financial analysis of mergers and acquisitions. Acquisition pricing. Acquisition financing. Acquisition outcome.

Financial information and stock prices. Usefulness of earnings to investors: empirical evidence from capital market research.

Equity security analysis and returns to fundamental analysis. Approaches to securities analysis and fund management. The process of comprehensive securities analysis. Focus on selected investment strategies based on fundamental analysis. Empirical evidence on the performance of analysts and fund managers.

Please consult the current EMFSS Programme Regulations for further information on the availability of a course, where it can be placed on your programme's structure, and other important details.