BUSINESS ANALYSIS AND VALUATION (AC215)

Course duration: 54 hours lecture and class time (Over three weeks)
Summer School Programme Area: Accounting
LSE Teaching Department: Department of Accounting
Lead Faculty: Dr Xi Li and Dr Pascal Frantz (Dept. of Accounting)
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 analyse 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:

Teaching Arrangements:
Teaching arrangements consist of both lectures (36 hours in total) and classes (18 hours in total).
Schedule of Lectures and Classes:

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<th>Week 1</th>
<th>Morning</th>
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<td>Monday</td>
<td>Lecture 1</td>
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<td>Tuesday</td>
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<th>Week 2</th>
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<td>Monday</td>
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<td>Tuesday</td>
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<td>Revision Class 1</td>
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<td>Wednesday</td>
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<td>Mid-Term Exam*</td>
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<td>Thursday</td>
<td>Lecture 7</td>
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<td>Friday</td>
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<td>Monday</td>
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<td>Tuesday</td>
<td>Lecture 10</td>
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<td>Thursday</td>
<td>Lecture 12</td>
<td>Revision Class 2</td>
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<td>Friday</td>
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<td>Final Exam*</td>
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*Exams may be scheduled at any time between 9am – 5pm on these days.

Formative Assessment
This will not count towards the students’ final overall grade, but will prepare students for the first summative assessment.

*Format: Take-home exercise
*Date: Friday of Week One
*Feedback due: By Tuesday of week two
Summative Assessments:

Format and weighting: Two hour mid-session examination (50%)

Date: Wednesday of week two

Results due: By Monday of week three

Format and weighting: Two hour final examination (50%)

Date: Friday of week three

Results due: Within a week of the exam

The precise time and location of the exams will be circulated during the programme.

Detailed Course Outline

Week 1

Monday: Lecture One - Introduction to Business Analysis and Valuation
Core Reading: Chapter 1 [Palepu, Bernard, and Healy]
Movie: Enron: The smartest guys in the room

Tuesday: Lecture Two – Basics for Accounting Analysis
Core Reading: Chapter 3 [Palepu, Bernard, and Healy]
Case Study: Fiat Group’s first-time adoption of IFRS (PHP, pp. 129-144)

Wednesday: Lecture Three - Accounting Adjustments and Recasting
Core Reading: Chapter 4 [Palepu, Bernard, and Healy]
Case Study: Marks and Spencer’s accounting choices (PHP, pp. 186-193)

Thursday: Lecture Four – Business Strategy Analysis and Financial Analysis Part I
Core Reading: Chapters 2&5 [Palepu, Bernard, and Healy]
Case Study: Carrefour S.A. (PHP, pp. 243-257)

Friday: Lecture Five – Financial Analysis Part II
Core Reading: Chapter 5 [Palepu, Bernard, and Healy]
Case Study: Carrefour S.A. (PHP, pp. 243-257)

Week 2

Monday: Lecture Six – Prospective Analysis: Forecasting
Core Reading: Chapter 6 [Palepu, Bernard, and Healy]
Case Study: European oil and gas industry (PHP, pp. 287-300)

Tuesday: No Lecture. Revision Class One

Wednesday: Mid-Term Exam

Thursday: Lecture Seven – Cash Flow-Based Valuation
Core Reading: Chapters 7 and 8 [Palepu, Bernard, and Healy]
Case Study: Coca-Cola Inc.

Friday: Lecture Eight – Accounting-Based Valuation
Core Reading: Chapters 7 and 8 [Palepu, Bernard, and Healy]
Case Study: Coca-Cola Inc.

Week 3

Monday: Lecture Nine – Price Multiples Based Valuation
Core Reading: Chapters 7 and 8 [Palepu, Bernard, and Healy]

Tuesday: Lecture Ten – Credit Analysis and Distress Predictions
Core Reading: Chapter 10 [Palepu, Bernard, and Healy]

Wednesday: Lecture Eleven – Mergers and Acquisitions
Core Reading: Chapter 11 [Palepu, Bernard, and Healy]

Thursday: Lecture Twelve – 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 or four 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