

Module 28: Valuation and Securities Analysis

Stage				3			
Semester				1			
Module Title				Valuation and Securities Analysis			
Module Number				28			
Module Status				Elective			
Module ECTS Credits				5			
Module NFQ level				8			
Pre-Requisite Module Titles				International Financial Reporting			
Co-Requisite Module Titles				N/A			
Capstone Module?				No			
List of Module Teaching Personnel				Edel Walsh			
Contact Hours				Non-contact Hours			Total Effort (hours)
46				54			100
Lecture	Practical	Tutorial	Seminar	Assignment	Placement	Independent Work	
36		10		10		44	100
Allocation of Marks (Within the Module)							
	Continuous Assessment	Project	Practical	Final Examination	Total		
Percentage Contribution	30%			70%	100%		

Intended Module Learning Outcomes

On successful completion of this module, the learner will be able to:

1. Analyse the financial performance of given securities
2. Critically review equity research published by financial analysts
3. Critically assess third-party valuation reports
4. Apply techniques to value securities
5. Recognise the difficulties associated with measuring abnormal returns in fundamental and technical analysis

Module Objectives

This module provides learners with an understanding of security analysis and valuation from both a theoretical and empirical perspective. It is designed to provide the tools required to analyse the performance of securities, value securities and assess returns on active investment strategies.

Module Curriculum

Introduction to the analysis framework using financial statements

- Framework for analysis
- Business strategy analysis
- Accounting analysis
- Financial analysis
- Prospective analysis

Framework for analysis

- Industry analysis
- Competitive strategy analysis
- Sources of competitive advantage
- Achieving and sustaining competitive analysis

Financial analysis

- Accounting based measures of performance:
 - Comprehensive earnings
 - Residual earnings
 - Economic value added (EVA)
 - Accounting rates of return
- Market based measures of performance
- Comparison of accounting based and market based measures of performance

Accounting analysis

- Factors affecting accounting quality
- Assessing the quality of accounting

Prospective performance evaluation and valuation

- Forecasting: simple forecasting and full-information forecasting
- Simple forecasting techniques
- Applicability of simple forecasting for valuation
- Full-information forecasting

Securities valuation

- Valuation Methods
 - Discounted cash flow method
 - Dividend valuation methods and the discounted cash flow to equity method
 - Economic value added method
 - Abnormal earnings method
 - Abnormal operating income method
- Comparison and accuracy of methods: empirical evidence

Applications

- Mergers and acquisitions
 - Reasons for mergers and acquisitions;
 - Strategic and financial analysis of mergers and acquisitions
 - Pricing of a merger and acquisition
- Credit analysis and distress predictions

Reading lists and other learning materials

Palepu, K., V. Bernard and P. Healy. *Business Analysis & Valuation*. (South-Western College Publishing) Penman, S. *Financial Statement Analysis & Security Valuation*. (McGraw-Hill,)

Module Learning Environment

A practical and hands-on teaching and learning environment is fostered through participative lectures and individual and group-work based tutorials. Moodle is used extensively to support learners beyond the face-to-face encounters.

Module Teaching and Learning Strategy

Participative lectures and tutorials form the primary teaching methods, providing learners with an understanding of concepts, principles and techniques. PowerPoint presentations and demonstrations are supplemented with recommended reading. The emphasis is on developing knowledge and understanding in context. Learners also have access to Moodle, the College's Virtual Learning Environment (VLE).

Module Assessment Strategy

30% of the marks are allocated to coursework to allow learners demonstrate an understanding of the concepts and techniques presented in the lectures. The coursework could take the form of an essay and/ or a report or case study review.

The remaining 70% is allocated to an end of semester closed book examination which requires learners to complete four questions from a possible five. The questions contain both theory and practical elements.

Constructive Alignment of Assessment

Module Learning Outcomes	Assessment Strategy	
	Assignment	Exam
Analyse the financial performance of given securities	Yes	Yes
Critically review equity research published by financial analysts	Yes	
Critically assess third-party valuation reports	Yes	Yes
Apply techniques to value securities	Yes	Yes
Recognise the difficulties associated with measuring abnormal returns in fundamental and technical analysis	Yes	Yes