

**Commerce 4FB3
Valuation for Finance Professionals
Winter 2025 Course Outline**

**Finance and Business Economics
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

1. To build students' skills and confidence in answering the question: "What is a company worth?"
2. To explore fully the strategic assumptions, the theoretical underpinnings, and the appropriate use of valuation techniques and principles.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Wednesday 11:30 – 14.20

Dr. Anna N. Danielova

Instructor

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Office Hours: By appointment

Wei-Ju Liao

TA

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Office Hours: TBA

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Course Website: N/A

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	Yes	Final Exam:	No	Guest speaker(s):	No

COURSE DESCRIPTION

This course is taught primarily through the lectures and case studies. 4FB3 is an *applied* course in corporate valuation. Valuations are required in investment analysis, capital budgeting, merger and acquisition transactions, financial reporting, taxable events to determine the proper tax liability, and in litigation. Through the extensive use of case analysis (supplemented with lecture-based background material), we will examine the practice of valuation of projects, divisions, and companies in today's business world. The goal of the course is to build students' skills and confidence in answering the question: "What is a company worth?" and to help prepare students for a long-term career as an investment or commercial banker with a corporate finance focus, the CEO/CFO of a company, or a financial consultant in the financial-service industry or in government. The course covers four interrelated modules: 1. The drivers of corporate value; 2. Traditional and alternative valuation models and approaches (including FCFF, FCFE, Real Options, Multiples); 3. Various valuation situations (IPO valuation, private equity and LBO valuation); 4. Application to advance valuation settings (cyclical, high growth, dotcoms, international, brand). Students will also develop a proficiency in the technology necessary to implement this knowledge in a real-world setting. The objective is to provide students with cutting-edge valuation tools that are based on modern finance theory of value-based management.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

1. Identify drivers of corporate value creation;
2. Be familiar with and be able to identify appropriate valuation tools for a particular company and situation;
3. Assess the intrinsic value of the company choosing among several different approaches.

IMPORTANT LINKS

- [Mosaic](#)
- [Avenue to Learn](#)
- [Student Accessibility Services - Accommodations](#)
- [McMaster University Library](#)

REQUIRED COURSE MATERIALS AND READINGS

Avenue to Learn registration for course content, readings, and assignments

- <http://avenue.mcmaster.ca/>

Digital Course Pack, containing cases

- purchase a copy at the bookstore

Articles and other materials passed out in class

Suggested Reading

Tim Koller, Marc Goedhart, David Wessels, VALUATION: Measuring and Managing the Value of Companies, McKinsey and Company, Wiley, 5th, 6th, or 7th Ed.

- a copy can be purchased at the bookstore

EVALUATION

All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases, group members will share the same grade adjusted by peer evaluation if necessary. Your final grade will be calculated as follows:

GRADE COMPONENTS AND WEIGHTS	
Project (group)	35%
Project Presentation (group)	5%
Case Assignment (individual)	40%
Participation (individual)	20%*
Total	100%

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+	67-69
A	85-89	C	63-66
A-	80-84	C-	60-62
B+	77-79	D+	57-59
B	73-76	D	53-56
B-	70-72	D-	50-52
		F	0-49

Participation

Name cards and assign seating 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.

Participation component of the course comes mainly from contributions to in-class discussions of cases, assigned to a particular week, as well as from in-class exercises.

* Any student who demonstrates disrespectful to others and/or disruptive conduct in class will receive automatic zero for participation component.

Expectations

Since this course makes extensive use of classes and class discussion, it is imperative that the class, both as individuals and collectively, prepare for each class and participate in the discussion. For this reason, my evaluation of your performance weights effective classroom participation. Perceptive questions are as effective as solid answers. Students who are absent or passive during discussions will not score well on this dimension. Similarly, students who develop a pattern of dominating class discussion with trivial comments will see their participation scores suffer. Since I judge your participation score from the point of view of your immediate supervisor, consider your score as your three-month performance review. I also reserve the right to cold-call on anyone at any time.

Communication and Feedback

Students who wish to correspond with instructors or TAs 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. Emails regarding course issues should NOT be sent to the Area Administrative Assistants.

Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

Instructors may conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who wish to have a course component re-evaluated must complete the following form:

http://www.mcmaster.ca/policy/Students-AcademicStudies/Form_A.pdf

In order for the component to be re-read:

- the component must be worth 10% or more of the final grade in the course
- students pay a fee of \$50 in Gilmour Hall #209 and the receipt is then brought to Student Experience - Academic Office (formerly the APO) in DSB 104
- the Area Chair will seek out an independent adjudicator to re-grade the component
- an adjustment to the grade for the component will be made if a grade change of three points or greater on the 12 point scale (equivalent to 10 marks out of 100) has been suggested by the adjudicator as assigned by the Area Chair
- if a grade change is made, the student fee will be refunded

LOGISTICS

Everything regarding the course (including syllabus, lecture notes, project, announcements, etc.) will be posted on AVENUE. It is your responsibility to follow up the AVENUE page to be current with the class. Lecture notes, if available, should be downloaded before each lecture if available. Have them ready for every class.

Calculators

Calculators are encouraged for classes and exams and for all practical purposes, required. Calculators must be silent. The use of a McMaster standard calculator is suggested.

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf>

Notebooks/Computers

Having a PC or being able to use/access a PC for all practical purposes is required.

Team Project

Students will assemble 5-person teams to complete a “Valuation Project”, which is to determine the intrinsic value of a company. The final report, due April 2, 2025, is the complete valuation analysis, providing your estimate of the company’s stock. The overall project will be evaluated in light of the completeness of the analysis you choose to do, the techniques you choose to employ, and the impact of the results you choose to present in your written report. Begin each report with a summary memorandum and make effective use of tables and graphs. Extensive footnoting and compilations of long bibliographic lists are not encouraged. I will judge your work from the point of view of your senior financial officer. Further information will be provided in class.

Case Assignment – Lab International

You are responsible for anything covered in class (regardless of whether or not you attended).

For Lab International Case Assignment you are required to submit to me your individual case write-up with necessary calculations at the beginning of our March 5th Lecture, that is, before we begin our in-class discussion about the case.

Punctuality

Classes begin on time. Latecomers disrupt the presentation of lecture materials.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

REQUESTING RELIEF FOR MISSED ACADEMIC TERM WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar "[Requests for Relief for Missed Academic Term Work](#)" and the link below*;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University's [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS, OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous, or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office *normally within 10 working days* of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

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.

GENERATIVE AI

USE PROHIBITED

Students are not permitted to use generative AI in this course. In alignment with McMaster academic integrity policy, it “shall be an offence knowingly to ... submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also stated in the policy is the following, “Contract Cheating is the act of “outsourcing of student work to third parties” (Lancaster & Clarke, 2016, p. 639) with or without payment.” Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

COURSE SCHEDULE

**Commerce 4FB3
Valuation for Financial Professionals
Winter 2025 Tentative Course Schedule[†]**

Week	Date	Computer Lab Day	Topic	Reading	Cases
1	1/8	Bring Laptop	Introduction WACC Financial Statement Analysis	Ch 11	
2	1/15		Cash Flow Analysis	Ch 7, 8, 9	Lex Service PLC
3	1/22		FCFF valuation; FCFE valuation Terminal value Project is given	Ch 6, 12, 10;	Star River Electronics
4	1/29	Bring Laptop	Projecting Sales Growth Financial Modeling	Ch 5, 7, 8, 9	
5	2/5	Bring Laptop	Financial Modeling Projecting Financial Statements Company Requests are due	Ch 7, 8, 9	
6	2/12	Bring Laptop	Case Application		Smuckers
7	2/20-26		Mid-Term Recess		
8	2/26		Comparable and Precedent Analysis Multiples	Ch 6, 14	
9	3/5		Decision Tree Analysis Cyclical Firms Lab International -CASE ASSIGNMENT DUE	Ch 32	Lab International
10	3/12		New Venture Valuation High growth firms; Dotcoms	Ch 34;	Merck
11	3/19		Valuating private firms	Ch 33	Netscape
12	3/26		Valuation in International Settings	Ch 29, 30	Spyder Active sports
13	4/2		Project Presentations		

[†] Every effort will be made to manage the course as stated here. However, adjustments may be necessary for various reasons at the discretion of the professor. Any alterations will be announced prior to being implemented.