

Discipline Specific Elective Course- 8.6(DSE-8.6): Business Valuation

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Business Valuation: DSE-8.6	4	3	1	0	Pass in Class XII	NIL

Business Valuation BC: DSE- 8.6

Learning Objectives:

The course aims to familiarize the students with the principles and practice of valuation of business

Learning Outcomes: After completion of the course, learners will be able to:

1. Examine the valuation of business and its principles.
2. Evaluate different techniques of valuation and apply them in various situations.
3. Demonstrate skills in valuing tangibles and intangibles.
4. Analyse specific cases of valuation.
5. Explore the impact of non-financial factors on valuation.

Course Contents:

Unit 1: Introduction to valuation (9 hours)

Need for valuation, issues and problems in valuation, various types of values and relationship between them, principles of valuation, purpose of valuation. Indian and international standards on valuation.

Unit 2: Techniques of valuation (13 hours)

Different approaches and models of valuation, discounted cash flow analysis, comparable transaction method, comparable market multiple method, market valuation, economic value added, free cash flow to equity, dividend discount model, net asset valuation, relative valuation. Factors affecting the choice of valuation techniques.

Unit 3: Valuation of tangibles, intangibles and some specific cases (16 hours)

- (a) Valuation of tangibles – valuation of property, plant and equipment.
- (b) Valuation of intangibles: Goodwill, brand, patents, trade marks, copyrights, process, franchises, licenses, internet domains, softwares, databases, advertising agreements.

(c) Valuation of large enterprises, Valuation of micro, small and medium enterprises, valuation of start-ups, valuation during mergers & acquisitions, valuation during distress sales. Valuation of forward contracts, Valuation of futures and options pricing.

Unit 4: Non–financial considerations in valuation (7 hours)

Human resource, top and middle-level management, governance, corporate social responsibility and environmental accountability.

Exercises:

The learners are required to:

1. Use various software programmes for understanding valuation techniques and methods.
2. Download financial statements of companies for valuing them under different approaches.
3. Analyse various financial instruments for overvaluation and undervaluation.
4. Discuss and analyse valuation of any merger and acquisition through case study.
5. Analyse the impact of non-financial factors on the share prices of a company.

Suggested Readings:

- Koller T, Goedhart M & Wessels D. “Valuation: Measuring and managing the value of companies” Mckinsey & Company.
- Palepu K.G & Healey P.M. “Business analysis and valuation: Using financial statements” Cengage Publications.
- Parker D. “International valuation standards: A guide to the valuation of real property assets” Wiley blackwell.
- Parks J.A & Banerjee D.N. “Principles & practice of valuation” Eastern law house.

Additional Readings:

- Study material of the Institute of Company Secretary of India for the professional programme course on “Valuation and business modelling”.
- Study material of the Institute of Cost Accountants of India for the “Strategic performance management and business valuation”

Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department’s website.