MBA 701  
Business Valuation  
Summer 2011,  
TR, June 7-July 26th, 2011, Innovation 204  
4:30-7:10 pm

Office Hours: 6:15-7:15, M, 3:00-4:00 pm-Tuesdays, or by appointment. No office hours on June 7-9, 13-16.

Instructor: Mikhail Pevzner, PhD  
Office: 108 Enterprise Hall (Fairfax Campus)  
Phone: 703-993-1755  
Email: mpevzner@gmu.edu

3. Course Website Address: http://mymason.gmu.edu

4. Course Prerequisites: MBA 613 or equivalent.

- Please note that the prerequisite assumes basic knowledge of corporate financial reporting on the level chapters 1-12 of Stickney and Weil (used in MBA 613) or chapters 1-13 of Libby, Libby, Short introductory textbooks (used in Acct 301). Knowledge of basic accounting is highly important in this class. Knowledge of basic valuation finance is helpful, but not required.

5. Course Materials:

Required:  

Amazon link: http://www.amazon.com/Business-Analysis-Valuation-Financial-Statements/dp/032430286X/ref=sr_1_1?ie=UTF8&s=books&qid=1272372350&sr=1-1

Please note that the soft cover edition is not appropriate for this class as it does not have cases.
Recommended:
Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions (Wiley Finance) by Rosenbaum and Pearl, Wiley

6. Course Description and Objectives:
The objective of this course is to provide hands-on-experience in financial statement analysis and valuation. *The class takes an accounting-based valuation perspective.* In particular, the course offers a comprehensive framework for analyzing financial statements consisting of (a) Business Strategy Analysis, (b) Accounting Analysis, (c) Financial Analysis, and (d) Prospective Analysis & Valuation. The framework would enable the students to synthesize and integrate information to make complex decisions with limited information, as well as conduct the research, competitive analysis, and environmental scanning necessary for long-term strategic decisions in investing. [An Assurance of Learning Goal]

The following are Assurance of Learning Goals for this class:

*Assurance of Learning Goal (MSA): *Our students will demonstrate the ability to analyze uncertain complex management situations using appropriate tools, techniques and information systems for decision-making*.*

*Assurance of Learning Goal (MBA)*: Our graduates will demonstrate the ability to integrate knowledge from all functional areas of business into a meaningful firm-level perspective.

7. Course Schedule and Assignment Due Dates: See the end of the Syllabus. Depending on the amount of time left in the end of the course and number of groups available for presentations, chapters 10 and 11 and associated cases are subject to optional coverage.

8. Student Responsibilities:
Class notes: Instruction is delivered through a mixture of lectures, cases, and illustration of applications. Lecture notes and other documents used in class will be posted on Blackboard. At your option, you may download and print these notes and documents and bring them to class for reference. Please note that I will not provide hard copies of these notes and documents in class.

Class participation: You are expected to have prepared the assigned readings, homework, and cases to the best of your ability for every class. The greatest determinants of how much you know and retain from this class will be the amount of effort you put into studying the assigned materials before class.

Attendance: You are expected to attend all classes to the extent possible, and especially your group presentations. **If your group is presenting, I expect every group member to participate in the presentation.**
**TENTATIVE: SUBJECT TO CHANGE**

**Group cases:**

- Each group will submit and present one case to the entire class.
- Groups will consist of 7-8 students. I expect that you make your own group formation/selection. All groups must be formed by the end of class on **June 7**, and the membership listing for each group must submitted to mpevzner@gmu.edu by then. I will make a group assignment to anyone who has not picked their group no later than **June 8th**.
- Our goal is for each group to formally **at least one** case before the class (This may be adjusted depending on enrollment to ensure that the number of presentations by each group is equal). The formal group presentation should last between thirty and forty-five minutes. The presenting group will also submit a written report that includes (a) an executive summary and (b) a detailed analysis of all questions assigned for each case. **Each case presentation will be graded both on the quality of the presentation and on depth of the analysis.**
- While the length of the analysis can vary, a suggested target is about five pages (single-spaced), excluding graphs and spreadsheet attachments.
- **I strongly encourage each presenting group to email me their presentation slides no later than 48 hours before the scheduled presentation for advanced feedback.**
- **I will assign cases to each group on the random basis.**
- **The report should be written in appropriate idiomatic business English, and should be free of writing errors.**
- All reports are due at the beginning of the class. **Late submissions of case write-ups will not be accepted. All groups must also submit their case electronically via SafeAssign tool on Blackboard.**
- Please note that all rules with respect to academic integrity and plagiarism will be strictly enforced. Case write ups and project discussed below must be your own work. You are allowed to appropriately cite outside sources, such as internet, journal, or newspaper articles **with appropriate attribution. Failure to show appropriate attribution of the text directly or indirectly cited in your assignments is considered plagiarism.**
- I will assign each group a grade on the basis of the write up and, if applicable, presentation and writing quality.

**Periodic quizzes on case write ups and testing case content:**

- Each non-presenting group should study the case before presentation and informally answer case questions.
- To ensure that everyone participates in case preparation and work is not just re-assigned to group members individually, before each case presentation, **there will be a short quiz on basic case content and questions in the end of the case.** Each quiz will be worth 5 points, and **I will drop the lowest score in calculation of the final grade.**
- I also reserve the right to explicitly test the case content and your understanding the solution on the final exam.

**Group Analyst Report**

- **Write up:** Each group will compile an analyst report on a company of their choice from the list that I will provide. Analyst report should have an executive summary which will
include earnings forecasts, stock recommendations and a target price. The executive summary should be supported by a detailed analysis of a company’s performance and explanations of how the analyst expectations were developed (i.e. development of the forecasting and valuation model and the valuation assumptions made). The analyst report has to have a section for each of the topic covered in class: 1) business and strategy analysis, 2) accounting analysis, 3) financial analysis, 4) prospective analysis (forecasting) and valuation estimates, 5) credit analysis. This section should have a well thought through analysis supported by calculations and exhibits. I expect that the length of your report should be around 10 pages; however, length is less important than the quality of your analysis. Please note that rules with respect to appropriate citations of others work apply here (see above), especially with respect to the references of published analyst reports.

- **Presentation**: In the last two weeks of class, each group will make an analyst report presentation. Each presentation should take about 30-45 minutes, including about 15 minutes for questions from the audience (these timings may be adjusted depending on the number of groups and amount of time available to us). Each group will be evaluated on the quality of their submitted report and presentation. All group members must participate in both. All project write ups are due in class on July 7th. They must also be submitted electronically via SafeAssign on Blackboard.

Each group can select from the following list of companies (only one company per one group- “first come/first serve” basis). Each group must submit their company selection electronically to me no later than June 14th, 2011. Any group that has not submitted their selection by then will be assigned a company not selected by the other groups.

- Medtronic
- Netflix
- General Mills
- Google
- Costco
- General Dynamics Co.
- Lockheed Martin
- Boeing
- If you have a different company which interests you, please let me know. You can analyze a different company subject to my approval.

**Final exam**

- There will be an in-class closed book final exam on the concepts covered in lecture, cases, and group analyst report. I will provide more guidance on the content of the final exam in the course of the semester.

**Attendance, class and group participation**

A very significant percentage of our class time will be spent on discussion and case/project presentations. Thus, you should make every effort to attend class, participate in case and project
discussions, and, most importantly, contribute to the group work. 5% of your grade will be explicitly based on these factors. Please also note that your project and case grades have implicit participation components based on mutual group evaluation given.

**Professionalism:** Professional attitude towards classmates and the instructor will contribute to earning the maximum professionalism points. Late arrival to class, leaving class early without prior permission, disruptive behavior, internet surfing, cell phone rings, texting, disrespectful e-mails, using office hours as a substitute for attending classes are examples of actions that could lead to deduction of professionalism points. The professionalism points are based on the instructor's judgment of your actions throughout the semester and are not subject to negotiation.

**9. Grading**

a. Grading Standards: Your final grade will be determined on the basis of the following percentage weights.

<table>
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<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Group case write up and presentation</td>
<td>10</td>
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<tr>
<td>Periodic quizzes on cases</td>
<td>20</td>
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<tr>
<td>Group Analyst Report</td>
<td>20</td>
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<tr>
<td>Attendance, participation, professionalism</td>
<td>5</td>
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<td>Final exam</td>
<td>45</td>
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Total points 100

Final grades will be assigned using the plus or minus designation (e.g., A, A-, B+, B, B-, C, and F).

To assess the nature and extent of work contributed by each member of a group, group members will grade each other and this grade could influence your overall course grade. If there is a significant disparity among ratings assigned to a particular group member, I will compute an average of the ratings assigned by the fellow group members. This average rating will be multiplied by the points earned by the group to determine the points for that particular group member in question.

**10. Honor Code:**

You are expected to understand and follow the Honor Code of the GMU University. Please note that the following behavior is a violation of the University's honor code: (i) using someone else's work, including spreadsheet models, and submit them as your own or (ii) using a purchased case solution. While it is appropriate to use the Internet as a research tool, lifting information off the Internet *without proper citations* is unacceptable and will not earn any points and may also be grounds for Honor Code violation.

**Analyst Reports and Your Group Analyst Report:** Your report should be your own and not be based on what you see in some other analyst report. If you peruse another analyst report, you have to appropriately cite it. *Remember that the ultimate analysis should be your own.*
11. Students with Disabilities:
If you are a student with a disability and you need academic accommodations, please let me know and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.
Course Schedule

Week #1:

Class 1, Tuesday, June 7, 2011

Topic: A Framework for Business Analysis and Valuation Using Financial Statements

Reading: Chapter 1.

Topic: Strategy Analysis

Reading: Chapters 2.

Class 2, Tuesday, June 14, 2011

Lecture: Finish Up Chapters 1 and 2, Start Chapter 3

Week #2:

Class 3, Thursday, June 16th, 2011

Topic: Overview of Accounting Analysis

Reading: Chapter 3.

Topic: Implementing Accounting Analysis

Reading: Chapter 4

Class 4, Tuesday, June 21st, 2011

Case #2: Harnischfeger Corporation [3-20]

Topic: Financial Analysis

Reading: Chapter 5

Week #3

Class 5, Thursday, June 23rd, 2011
Case #3: Recognition Problems in the Communications Equipment Industry [4-49]

Topic: Prospective Analysis: Forecasting

Reading: Chapter 6

Class 6, Tuesday, June 28th, 2011

Case #4: United Parcel Service IPO. [5-43]

Topic: Prospective Analysis: Valuation Theory and Concepts

Reading: Chapter 7

Week #4

Class 7, Thursday, June 30th, 2011

Case #5: Krispy Kreme Donuts [6-24]

Topic: Prospective Analysis: Valuation Implementation

Reading: Chapter 8

Class 8, Tuesday, July 5th, 2011

Continue with Chapter 8: Valuation Implementation

Week #5

Class 9, Thursday, July 7th, 2011

Case #7: Home Depot in the New Millennium [8-20]

Topic: Equity Security Analysis/Communication and Governance

Reading: Chapter 9, 12

Topic: Credit Analysis and Distress Prediction
Reading: Chapter 10

Class 10, Tuesday, July 12th, 2010
Analyst Report Presentations

Class 11-12, Thursday July 14th, Tuesday, July 19th, 2011
Analyst Report Presentations

Class 13, Tuesday, July 26th, 2011
Panel Discussion on Careers in Valuation

Class 14, Thursday, July 28th, 2011
Final Exam.

Group Evaluation forms Due
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GROUP EVALUATION

Instructions: As specified in the syllabus, a group participation evaluation is to be completed by each group member. The evaluation should be completed independently in the following manner:

1. List your group members (including yourself) in the first column.

2. Rate the participation of your group members by awarding each member some number of points between 0 and 10. For example, if you feel that all members of your group participated equally, you would give 10 points to each group member. The points should be given to your team members based upon a consideration of the following: (1) willingness and participation in carrying out assigned tasks, (2) ability of the individual to meet deadlines, (3) cooperation with other team members, (4) quality of the individual’s work, and (5) overall contribution to the projects.

3. Sign the evaluation at the bottom and return it to the instructor no later than July 28th, 2011. This evaluation will be reviewed by the instructor and may affect an individual group member’s case grades. You may use the back of this form to provide any written comments related to your group evaluation (all information disclosed will be kept confidential).

Group Members and Evaluation:

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<th>Group Member Name</th>
<th>Participation Score</th>
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SELF: ________________________  _________

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Student Signature