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| **Course Outline**  **Department of Accounting, Finance, and Law**  **Bob Gaglardi School of Business and Economics** |

**FNCE 4120-01 (3,0,0)**

**Business Valuation and Restructuring**

**Fall, 2025**

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**Calendar Description**

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| Students learn how to value a business using the most appropriate techniques and restructure a firm’s operations to improve its economic performance and cope with financial distress. Topics include an introduction to business valuation; the format of a research report; research objectivity standards; advanced cost of capital; business valuation techniques such as the income, market multiples, asset-based, and residual income approaches; control premiums and marketability discounts; valuing private companies; mergers and acquisitions; financial distress, bankruptcy, reorganization, and liquidation; divestitures, spin-offs, and other forms of corporate restructuring. |

**Educational Objectives/Outcomes**

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| Upon completion of this course, students will be able to:   1. Apply the CFA Institute’s Code of Ethics and Standards of Professional Conduct and Research Objectivity Standards when making investment recommendations. 2. Calculate the appropriate cost of capital in different business valuation scenarios. 3. Determine the worth of a public or private enterprise using appropriate valuation techniques, including the income, market multiples, asset-based, and residual income approaches. 4. Recommend a tender offer for a business acquisition and any suitable take-over defences. 5. Develop a plan to liquidate or reorganize a business experiencing financial distress. 6. Discuss the rationale for divestitures and other forms of corporate restructuring. |

**Prerequisites**

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| FNCE 3150 or equivalent with a minimum C-  Note: Students cannot receive credit for more than one of FNCE 4110, FNCE 4111, and FNCE 4120. |

**Co-requisites**

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| None |

**Texts/Materials**

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| Review Modules  Corporate Governance and Executive Compensation  Financial Statement Analysis  Course Modules  Introduction to Business Valuation  Cost of Capital  Business Valuation  Mergers and Acquisitions and Corporate Restructuring  Bankruptcy, Liquidation, Reorganization |

**Student Evaluation**

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| The evaluation consists of:  Quizzes (8) – 20%  Research report  First installment - 5%  Second installment - 5%  Final report - 15%  Mid-term exam - 15%  Final exam - 40%  Students must pass the final exam to receive a passing grade for the course. Ten percent of the total weightings for the course will be moved from the mid-term exam to the final exam if it increases a student’s final grade.  Quizzes  Quizzes help ensure students are thoroughly familiar with the readings for each module.  They are 20 minutes and contain 30 randomly selected true/false or multiple-choice questions.  Quizzes cover the readings only and NOT the learning problems. The learning problems are tested on the mid-term and final exams.  Students should thoroughly study the readings to prepare for the quiz.  Each quiz is delivered through Moodle.  Links to the quizzes are in the quizzes section of the course Moodle site.  Students can open a quiz anytime between 6:00 AM and midnight on the Fridays designated in the course outline, and it will close automatically after 20 minutes.  Once a question is answered, students cannot change their responses. Quizzes are "closed book," meaning course materials and other information cannot be referenced during the quiz.  Students must not receive assistance from classmates or others while taking the quiz. If a student misses a quiz, they will not be given a re-test and will receive a grade of zero.  Research Report  Students will prepare a research report for Aritzia, a luxury clothing brand and fashion accessories retailer and designer located in Vancouver, Canada. The report will be divided into the following sections:  Investment summary  Business description  Industry overview and competitiveness positioning  Management, governance, environmental, and social  Investment risks  Financial analysis  Valuation (including cost of capital)  Appendices  Reports must be completed in groups of two students and will be 10 pages plus 10 pages of relevant appendices.  Students will select their partners and submit the report in three installments:  Installment 1 (5%): Business description; industry overview and competitive positioning; management, governance, environmental, and social  Installment 2 (5%): Cost of capital, investment risks, financial analysis  [Install](https://moodle.tru.ca/pluginfile.php/797196/mod_page/content/64/Investment%20Research%20Report.docx)ment 3 (15%): Final report  Installments 1 and 2 should be professionally prepared despite being interim submissions.  Students can make changes to these installments before submitting their final report.  Mid-term Exam  A 75-minute mid-term exam is scheduled during regular class time. The exam consists of qualitative and numerical problems only, similar to the learning problems at the end of each module. A formula sheet is provided before the exam, which will be included in the exam.  Any student who misses the mid-term exam without the instructor’s prior permission will receive a grade of zero.  Illness and family emergencies are generally the only acceptable reasons for missing a midterm, and a substitute exam will be administered in these cases.  A scientific or financial calculator may be used during the exam.  Translators or other electronic devices, such as cell phones, are not permitted.  Final Exam  A three-hour comprehensive final exam is scheduled during the regular exam period.  The exam consists of qualitative and numerical problems only, similar to the learning problems at the end of each module. There are no theory questions, as those were tested in the quizzes. A formula sheet is provided before the exam, which is included in the Final Exam. Any student who misses the exam without the instructor’s prior permission will receive a grade of zero.  Illness and family emergencies are generally the only acceptable reasons for missing a final exam, and a substitute exam will be administered in these cases.  A scientific or financial calculator may be used during the exam.  Translators or other electronic devices, such as cell phones, are not permitted. |

**Course Topics**

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| 1. Introduction to Business Valuation   * Definitions of value * Intrinsic value * Fair market value * Going concern value * Liquidation value * Applications of business valuation * Sell-side and buy-side analysts * Business valuation methods * Format of a research report * Investment summary * Business description * Industry overview and competitive positioning * Management, environmentalism, sustainability, and governance (ESG) * Investment risks * Financial analysis * Valuation * Appendices * Professional designations * Chartered Business Valuator (CBV) * Chartered Financial Analyst (CFA) * Research Standards * CFA Code of Ethics and Standards of Professional Conduct * Independence and objectivity * Misrepresentation * Material non-public information * Diligence and reasonable basis * Communications with clients * Record retention * Disclosure of conflicts * CFA Research Objectivity Standards   2. Advanced Cost of Capital   * Weighted average cost of capital (WACC) * Valuing a business from the firm and equity perspectives * Book, market value, and target capital structure weights * Cost of common equity   + Capital asset pricing model (CAPM)   + Implied cost of common equity   + Treasury spread   + Cost of debt   + Implied cost of debt   + Treasury spread   + Cost of preferred shares   + Implied cost of preferred shares   + Weighted marginal cost of capital   + Divisional cost of capital   + Adjusting for project risk * Calculating the components of CAPM   + Risk-free rate   + Market risk premium   + Historical market risk premium   + Length of estimating period   + Arithmetic and geometric mean   + Country differences   + Forward-looking market risk premium   + Beta   + Raw betas   + Adjusted betas   + Lag effect – Sum beta   + Shrinkage effect – Blume adjusted beta; Vasicek adjusted beta   + Downside effect – Downside beta   + Industry and peer group betas   + Accounting betas   + Unlevered and levered betas * Weighted average cost of debt * Complex debt instruments * Marginal lending rates * Yield curve and synthetic bond ratings * Alternative cost of common equity methods * Build-up method * Multi-stage implied cost of equity * Fama-French 3-factor model * Financial information services providers   3. Business Valuation   * + Valuation methods   + Income approaches – DDM, FCFE, FCFF   + One-stage, two-state, and three-stage models   + Estimating growth rate   + Historical growth rate   + Forward-looking growth rate   + Sustainable growth rate   + Implied growth rate or cost of capital   + Special applications of the income approach   + Non-operating assets   + Multi-unit businesses   + Cyclical companies   + Distressed firms   + Market multiples – P/E, P/BV, P/S, P/CF, EV/EBITDA, EV/FCFF   + Rationale for different multiples   + Calculating normalized earnings, book value, sales, cash flows, EBITDA, and FCFF   + Calculating the benchmark multiples   + Justified P/E based on fundamentals   + Comparable companies   + Multi-regression analysis   + Historical average price multiples   + Asset-based approach   + Residual income approach   + Suitability of different valuation methods   + Control premiums and marketability discounts   + Valuing private firms   + Limitations compared to valuing a public company   + Financial information quality   + Financial projections   + Cost of capital   + Comparable company data   + Guideline public company method   + Guideline transaction method   + Prior transaction method   4. Mergers and Acquisitions (M&As) and Corporate Restructuring   * Types of synergies * Reasons not to engage in M&As * Types of M&As * Mergers – Negotiation or proxy * Acquisitions of stock – Cash, stock, or mixed offer * Acquisitions of assets * Take-over bid process and disclosures * Take-over defences * Calculating a take-over bid * Analyzing the division of synergies * Success of M&As * Other types of corporate restructuring - Divestitures, spin-offs, split-offs, and split-ups, tracking shares  1. Bankruptcy, Liquidation, and Reorganization  * Warning signs and causes of financial distress * Tools for analyzing financial distress * Legal framework and key players in the bankruptcy process * Informal and formal bankruptcy * Acts of bankruptcy * Liquidation process and priority of claims * Reorganization process and developing proposals * Vulture capitalists and strategic bankruptcy * Professional designations |

**Course Schedule**

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| **Week** | **Module** | **Evaluation** |
| August 31 – September 6  **Monday is a statutory holiday.**  **Tuesday is Orientation Day.** | Introduction to Business Valuation  Review of Financial Statement Analysis  Review of Corporate Governance and Executive Compensation | None |
| September 7 – September 13 | Cost of Capital | Quiz 1 – Introduction to Business Valuation  Friday, September 12 |
| September 14 – September 20 | Cost of Capital | Quiz 2 – Review of Financial Statement Analysis  Friday, September 19 |
| September 21 – September 27 | Cost of Capital | Quiz 3 – Review of CGEC  Friday, September 26 |
| September 28 – October 4  **Tuesday is a statutory holiday.** | Cost of Capital | Research Report  Installment 1 due  Saturday, October 4, midnight |
| October 5 – October 11 | Business Valuation | Quiz 4 – Cost of Capital  Friday, October 10 |
| October 12 – October 18  **Monday is a statutory holiday.** | Business Valuation | Quiz 5 – Business Valuation (Part 1)  Friday, October 17 |
| October 19 – October 25 | Business Valuation | Mid-term exam  Thursday, October 23 |
| October 26 – November 1 | Business Valuation | None |
| November 2 – November 8  **Friday is mid-term break.** | Business Valuation | Research Report  Installment 2 due  Saturday, November 8, midnight |
| November 9 – November 15  **Monday is mid-term break.** | Business Valuation | None |
| November 16 – November 22 | M&A and Corporate Restructuring | Quiz 6 – Business Valuation (Part 2)  Friday, November 21 |
| November 23 – November 29 | M&A and Corporate Restructuring  Bankruptcy, Liquidation, Reorganization | Quiz 7 – M&A and Restructuring  Friday, November 28 |
| November 30 – December 6 | Bankruptcy, Liquidation, Reorganization | Quiz 8 – Bankruptcy, Liquidation, Reorganization  Friday, December 5  Final research report due  Friday, December 5 |

**Honour Code**

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| SOBE’s honour code states:  As a Gaglardi School of Business and Economics student at Thompson Rivers University, I promise to act honestly, ethically, and with integrity. I accept responsibility for my actions. I will not cheat, plagiarize, or condone such behaviour in others. |

**Academic Integrity**

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| TRU Policy ED 5-0 Academic Integrity outlines the different types of infractions and the enforcement mechanisms used by the university. All students are encouraged to familiarize themselves with this policy to avoid a violation. |

**Grading**

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| TRU Policy ED 3-5 Grading Systems describes the grading system to be followed in all courses at TRU to help ensure the comparability of grades across campus. Letter grades do not become official until they are approved by the Chairperson responsible for the course, and they subsequently appear on the student’s transcript. For undergraduate classes, the letter grade system is:   |  |  |  |  | | --- | --- | --- | --- | | **Letter Grade** | **Numerical Grade** | **Grade Points** | **Letter Grade Definitions** | | A+  A  A- | 90-100  85-89  80-84 | 4.33  4.00  3.67 | Excellent. Superior performance showing a comprehensive, in-depth understanding of the subject matter. Demonstrates initiative and fluency of expression. | | B+  B  B- | 77-79  73-76  70-72 | 3.33  3.00  2.67 | Very Good. Clearly above average performance with knowledge of principles and facts, generally complete with no serious deficiencies. | | C+  C | 65-69  60-64 | 2.33  2.00 | Satisfactory. A basic understanding with knowledge of principles and facts is at least adequate for communicating intelligently in the discipline. | | C- | 55-59 | 1.67 | Pass. Some understanding of principles and facts, but with definite deficiencies. | | D | 50-54 | 1.00 | Minimal Pass. A passing grade indicating marginal performance. Students are not likely to succeed in subsequent courses in the subject. | | F | 0-49 | 0.00 | Unsatisfactory. Fail. Knowledge of principles and facts is fragmentary. | | DNC |  | 0.00 | Did not complete the course, less than 50% of the course work completed, or mandatory course component(s) not completed. No official withdrawal. | |

**Attendance**

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| TRU Policy ED 3-5 Student Attendance states that students may be:   * Removed from a course if they miss the first two classes without prior arrangements acceptable to the instructor. * Refused admission to a course by the instructor for lateness, class misconduct, or failure to complete required work. * Removed from a course by the instructor for deficient attendance without cause, with the permission of the instructor’s Chairperson or Dean.   This semester, your instructor will enforce the following rules:   * Cell phones should be turned off and stored away during class unless authorized. * Students are required to attend regularly.  Attendance will be taken, and those who miss more than five classes during the semester will receive a Did Not Complete (“DNC”). * Students must arrive at class on time.  If they are late, the instructor may allow the student to enter the classroom or deny admission.  In either situation, the student will be marked absent. * The absences permitted are for any reason, including work or medical.  Students who inform their instructors of their absence before the start of class will still be marked absent.  Students should set a goal of zero absences and use the absences allowed for emergencies only.  Exceptions are only made for students experiencing serious medical or family issues. |