

ACC3614 VALUATION

Assessment Method:

Attendance and homework	10%
Relay group project	15%
Midterm test	15%
Final examination	60%

Aim

This module seeks to train students to apply standard techniques to measure asset fair values where required by Singapore Financial Reporting Standards and IFRS.

Objectives

On completing this module successfully, students would be able to ...

- Explain the economic theory behind valuation and demonstrate the main valuation techniques used in fair value accounting.
- Apply valuation techniques to measure the fair value of specific assets where required by Singapore FRS, with a particular focus on the valuation of financial instruments, property, intangibles and purchase price allocation.

Key Areas

- Basis of Valuation and Main Valuation Approaches, including DCF valuation and relative valuation
- Valuation of financial instruments under FRS 39 and employee compensation under FRS 102
- Valuation issues in M&A, including valuation of intangibles, goodwill and impairment analysis
- Property valuation

Textbook

Custom Textbook: "ACC3614 Valuation", Pearson.

Other References

Catty (ed.), 2010, Wiley guide to fair value under IFRS, Hoboken NJ: Wiley

Singapore Government Accounting Standards Council, Singapore financial reporting standards, <http://www.asc.gov.sg/frs/index.htm>, especially FRS 16, FRS 36, FRS 38, FRS 39, FRS 40, FRS 102, FRS 103, FRS 110, FRS 113.

Syllabus

1. Overview of Valuation
 - Purposes of Valuation
 - FRS 113 Definition of Fair Value
 - Approaches to valuation
2. Equity Valuation
 - Income Approach
 - Relative Valuation
3. Property Valuation
 - Requirements under FRS 16 and FRS 40
 - Market Approach
 - Cost Approach
 - Hedonic valuation
4. Valuation of Financial Instruments
 - Bonds
 - Futures and Forward Contracts
 - Tradable stock options—Black-Scholes and binomial approaches
 - Valuation of ESOPs under FRS 102
 - Vanilla interest rate swaps
5. Valuation of intangibles and goodwill in Purchase Price Allocation
6. Valuation for impairment tests under FRS 36

Weekly Schedule

Week 1: Introduction and Overview

Weeks 2 to 5: Financial Instruments

Weeks 6 to 8: Equity Valuation

Week 9: Property Valuation

Weeks 10 to 11: Purchase Price Allocation and Intangibles

Week 12: Impairment

Week 13: Review