

# Accounting-Based Valuation (BSMS)

## Course Descriptions and Syllabus

This course examines accounting issues that are related to the valuation of a business, business ownership interest, security, and intangible assets. These issues are pertinent to the valuation services provided by the accounting profession. The course is divided into two parts. In the first part, we explore various valuation methods. In the second part, we examine issues related to valuation engagements provided by accounting professionals.

The learning objectives of the course are:

- Distinguish among the three primary approaches to value (and related hybrid approaches), identify and apply various valuation adjustments, and reconcile value estimates.
- Able to synthesize/compare/contrast commonly used valuation methods
- Able to conduct more advanced accounting-based income statement approach to valuation (Residual Income Valuation Model, Abnormal Earnings Growth Valuation Model)
- Identify valuation-related professional standards and guidelines (VS Section 100).
- Identify key areas related to valuation in the conceptual framework of fair value accounting, accounting for business combinations, goodwill impairment, and intangibles.
- Differentiate among standards of value, premises of value, and levels of value.

Key topics covered in this course include:

### **Part I: Valuation Methods**

- Valuation approaches
  - Income approach
    - Capitalized economic income/cash flow method (including Gordon Growth Model)
    - Discounted economic income/cash flow method (DCF)
    - Excess Earnings method
  - Market approach
    - Selecting comparable firms
    - Statistics related to valuation analysis
    - Selecting and adjusting appropriate multiples
  - Asset approach
    - Adjusted (net) asset method
    - Considerations in liquidation
    - Issues in valuing intangible assets
  - More advanced valuation approaches (within income approach)

- Residual Income valuation method
  - Abnormal Earnings Growth valuation method
- Cost of capital
- Intellectual property and other intangible assets
  - Valuation approaches and methods
  - Valuing specific intangible assets
- Discounts, premiums, and other adjustments
  - Control strategic, minority, control liquid, control standalone, minority non-marketable
  - Discount for lack of control and control premium
  - Discount for lack of marketability
  - Voting vs non-voting
- Conclusion of value
  - Reconciliation of indicated values
  - Reasonableness of conclusion

## **Part II: Valuation Engagements by Accounting Professionals**

- Professional standards
  - AICPA VS Section 100 Valuation of a Business, Business Ownership Interest, Security or Intangible asset
  - AICPA Code of Professional Conduct ET 1.200.001 “Independence rule” and interpretations of the “non-attest services” subtopic [1.295]
- Financial Reporting
  - Fair value measurements FASB ASC 820
  - Business combinations and contingent considerations (FASB ASC 805)
  - Goodwill, Intangibles, Long-lived Assets, and measuring impairment (FASB ASC 350 & 360)
  - Compensation – stock compensation (FASB ASC 718)
  - AICPA Statement on Auditing Standards AU-C Sec.620 (using the work of an auditor’s specialist) and AU-C Sec. 540 (Auditing Accounting Estimates and Related Disclosures)
- Defining the engagement
  - Standards of value
  - Premise of value
  - Engagement letters
- Sources of economic and industry data
- Macro-economic and environmental analysis
- Industry analysis
  - Industry structure and life-cycle analysis
  - Competitive strategies and analysis
- Subject entity analysis
  - Entity documents
  - SWOT analysis
  - Firm economics analysis
  - Historical and forecast financial statements
    - Common size, trend analysis, financial ratios, Dupont analysis
  - Adjustments to historical and forecast financial statements
    - Normalizing
    - Control vs. non-control

- Separation of operating vs. non-operating items
- Off-balance sheet items
  - Other adjustments, implied tax adjustments, unusual items, GAAP-based adjustments

## Readings and Materials

You can also access all course-related materials on LMS Brightspace.

## Assessments

Your final grade is calculated based on the following:

Mid-Term Exam	30%
Final Exam	40%
Individual Final Project & Presentation	30%

## ACADEMIC INTEGRITY

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: [www.stern.nyu.edu/uc/codeofconduct](http://www.stern.nyu.edu/uc/codeofconduct)

To help ensure the integrity of our learning community, the prose assignments you submit to LMS Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

## GENERAL CONDUCT & BEHAVIOR

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy regarding In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Student Conduct Policy (<https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html>).

## STUDENT ACCESSIBILITY

New York University is committed to providing equal educational opportunity and participation for students with disabilities. Students who are interested in applying for academic accommodations are advised to reach out to the Moses Center for Student Accessibility (CSA) as early as possible in the semester. If you already receive accommodations through CSA, you are encouraged to request your accommodation letters through the Moses portal as soon as possible.

Moses Center for Student Accessibility (CSA), 212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu), [www.nyu.edu/csa](http://www.nyu.edu/csa)

Suppose you require academic accommodation of any kind during this course. In that case, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) verifying your registration and outlining the accommodations they recommend. If you need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week before the scheduled exam time to be guaranteed accommodation.

For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

### **STUDENT WELLNESS**

Classes can get stressful. Please reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at 212-443-9999 or via the "NYU Wellness Exchange" app. There are also drop-in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

### **DIVERSITY & INCLUSION**

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives to understand how others might see situations differently. To support this approach, this syllabus has been reviewed by NYU Stern's Office for Diversity and Inclusion to ensure inclusivity and a representative pedagogical approach to learning. By participating in this course, everyone is expected to commit to making this an inclusive learning environment for all.

### **Grading Guidelines**

#### **Stern Elective Courses**

At NYU Stern, we strive to create courses that challenge students intellectually and meet the Stern academic excellence standards. To ensure fairness and clarity of grading, the Stern faculty has agreed that the individual instructor or department is responsible for determining reasonable grading guidelines for elective courses.