Aston Business School
Birmingham

BFM119 SECURITY ANALYSIS

Academic Year 2012/13

Number of Aston Credits: 15

Number of ECTS Credits: 7.5

Staff Member Responsible for the Module:

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Availability: See 'office hours'
Or contact the Finance, Accounting & Law Group Administrator:
Mrs Rosaleen Shirley, Room ABS 404, Extension 3238

Pre-requisites for the Module:

This module is only available for MSc Investment Analysis students and is compulsory.

Mode of Attendance:

On campus

Module Objectives and Learning Outcomes:

- This module offers a systematic introduction to the range of valuation tools and techniques that are available to the practising financial analyst, and it provides students with the opportunity to experience the creative tension between analytical rigour and pragmatic simplification that makes security analysis both an art and a science. The material studied in this model forms the base of knowledge that will be both deepened and applied in the project module. On completion of this module, students should be able to:
- Demonstrate a systematic economic understanding of how the financial and strategic position of a business is reflected in the company's financial statements;
- Find, select and organise relevant corporate data for a given company;
- Use a comprehensive range of valuation techniques for equity valuation;

- Assess and critically evaluate the relative merits and limitations of different valuation tools in a given business context, and have the ability to make informed pragmatic judgements about the quality of the resulting value estimates;
- Convey complex financial information in a concise format that effectively communicates key findings to investors.

All module objectives are examined during the final examination.

The programme learning objectives being tested are the following.

Knowledge and understanding

A1: Valuation of main securities traded in financial markets
A2: Financial market dealing room environments
A3 Strategic decision making within a financial context

A6 International dimensions to finance
A5 use of financial information to analyse financial performance

Professional/subject specific skills

C1 Use key decision-making tools in finance and investments
C2 Apply main Valuation models used in finance and investment
C3 Be able to make investment recommendations based on financial statements and other financial information.

Intellectual skills

B1 Problem solving
B2 Critical analysis
B3 Synthesis
B4 Apply valuation and trading techniques
B5 Demonstrate competence in critical reasoning and decision making.

Transferable/key skills

D1 IT and computing skills
D2 Report writing skills
D3 Oral presentation skills
D6 Information retrieval.
D5 Competency in understanding relevant statistical analyses and financial reports.

Module Content:

Topic 1: **Explaining what is security analysis**
Reuters, Financial analyst reports, building a picture of company performance.

Topic 2: **Strategy analysis**
Looking at the firms strengths and weaknesses, worked examples

Topic 3: **Valuation Models 1**
Gordon growth model, assumed and implied growth rates, abnormal earnings and cash flow models

Topic 4: **Valuation Models 2**
Worked examples

Topic 5: **Ratio analysis 1**
ROE decomposition, other ratios, stages of company development.

Topic 6: **Ratio Analysis 2**
Worked examples

Topic 7: **Analysing Financial Information.**
P/E ratios, Book to market ratios and equilibrium prices

Topic 8: **Forecasting financial statements and the Ohlson model**
Inter-relationships, economic plausibility

Corporate Connections:

The module will draw on the experience of investment professionals wherever possible.

International Dimensions:

In the presence of global financial markets, the study of finance and investments naturally transcends national boundaries. Security analysis is applicable regardless of setting, and this module will draw on a large body of international evidence.

Contribution of Research:

The required reading will connect students to the research literature.

Ethics, Responsibility & Sustainability:

Consideration of final analyst recommendations.

Method of Teaching:

Classroom-based teaching and learning will comprise a sequence of lectures (3 hours per week) that will be the primary mode of delivery of the knowledge required to achieve the

learning outcomes. In addition to formal class contact hours, students are expected to follow the suggested learning hour's guide, in allocating time for private study

Method of Assessment and Feedback:

This module will be assessed by a 2 hour, case-style, final exam, comprising the valuation of a company's shares from a set of published accounts and the provision of a broker recommendation, that will provide the opportunity for students to demonstrate all the learning outcomes. The case will be distributed prior to the examination and may be taken into the examination. Feedback will be provided through classroom discussion and academic office hours.

Learning Hours:

Contact hours	30
Directed Reading	30
Directed Exercises	30
Further Private Study	60
Total	**150**

The following essential and recommended readings are subject to change. Students should not therefore purchase textbooks prior to commencing their course. If students wish to undertake background reading before starting the course, many of the chapters/readings are available in electronic form via on-line library catalogues and other resources

Essential Reading:

K. G. Palepu, P.M. Healy, V.L. Bernard and E. Peek, *Business Analysis and Valuation, IFRS Edition, Text and Cases,South-Western,* cengage learning

Barker, R. (2001), *Determining Value*, Financial Times Prentice Hall

English, J (2001) *Applied Equity Analysis*, McGraw Hill

Katsenelson, V.N. (2007) *Active Value Investing*, Wiley

Supplementary Texts:

Damodaran, A. (2002), *Investment Valuation*, Wiley

Damodaran, A. (2003), *Investment Philosophy*, Wiley

Palepu, KG., Healy, P.M. and Bernard,V.L. (2004), *Business Analysis and Valuation using Financial Statements*, South Western