DOWNLOAD PDF SHAREHOLDER VALUE DEMYSTIFIED

Chapter 1 : Valuation Techniques

*Shareholder Value Demystified: An Explanation of Methodologies and Use (Strategic Resource Management Series) [M Barbera] on calendrierdelascience.com *FREE* shipping on qualifying offers.*

The Free Press, Valuation is the key to any transaction. Addison-Wesley Publishing Company, The author is an attorney, professor, and former president of a large diversified retailer. The book is written in an entertaining, thought provoking style. Malkiel New York, NY: This book challenges the belief that stock prices can be predicted and concludes that no strategy can consistently outperform that of buying and holding a wide, randomly selected portfolio of long-term gain. A former academic, Haugen is managing partner of a portfolio management software company. His views on market efficient are contrary to many academicians. This book provides an excellent discussion of the weaknesses associated with the PE ratio in valuation analysis. A Business Experience, Roy E. The book is written as a novel to show how to apply shareholder value theory. The author reveals the five secrets to creating value by incorporating the efforts of marketing, manufacturing, human resources, and finance into an overall strategy that ensures bottom-line success. Profits You Can Trust: This book helps you spot the trouble spots in financial statements. This book is along the lines of Quality of Earnings. It underscores the necessity of reading the notes in the annual report. Buy, Lie, and Sell High, D. The author offers analysis of both the Internet stock bubble and the Enron scandal. Economics Freakonomics, Steven D. Levitt and Stephen J. The authors show that economics is at the root of incentives. This book has been on the New York Times best selling list for several weeks. Crown Trade Paperbacks, Applied Economics, Thomas Sowell. The book is designed for people who want to understand economic issues without getting bogged down in jargon and graphs. Wesbury New York, NY: The book shows that the future is much brighter than the daily news accompanying the recent recession leads you to believe. Ahead of the Curve, Joseph H. Harvard Business School Press, This book is a commonsense guide to forecasting business and market cycles. It brings clarity to placing economic indicators and the stock market into context. Porter New York, NY: Economics of Strategy, 5th ed. This book provides an economic foundation for strategic analysis. Market share is often about executive ego. Profit belongs to the shareholders. This book emphasizes the importance of barriers to entry for competitive advantage to exist. Capital Structure Session 10 Pepsi, Inc.: The Battle for Value: Capital Structure Session 10 Group 2: Cost of Capital Session 11 Pepsi, Inc.: Do not dwell on restating facts in the case. I expect you to analyze the issues and write in a mature fashion without excessive use of bullets to express yourself. Use headings to separate the various parts of the paper. Needless to say, check the grammar and put page numbers on each page. Treat the assignment as a report you are submitting to top management. In summary, you should be proud of your written work. You choose the issue s. All graded assignments need to be typed with necessary supporting documentation attached. Cases are due at the beginning of class. Late assignments will not be accepted. An implicit assumption is that all students contribute equally on the group assignment. If you must miss a class, please advise me beforehand via email. Three or more absences may result in your grade being lowered. Failure to contribute to class discussions will result in a low contribution grade. Contribution will take account of the quality and regularity of your comments. Specifically, contribution means participating such that your answer or question moves our analysis and understanding forward based on careful study of the available quantitative and qualitative evidence presented in the case. Class contribution does not mean attendance; however, I expect you to come to class on time, fully prepared, and ready to open the discussion. Class contribution points are allocated as follows: Letter Grades A percentile grading system is not used. Instead, I accumulate grades and look for break points. You may not use materials or solutions from ASU or other institutions e. You may not consult with students previously enrolled in this class, their class notes, or materials that were otherwise provided in the past. You may not consult with tutors about any case or involve them in the writing of assignments. Tutors may be used to help you understand general concepts. You are expected to do your own writing of all individual assignments and actively participate in both the analysis and writing of team assignments. I encourage you to speak to other students in the class about the issues, but write the analysis in your own words. Further, share no files, whatsoever, unless working on a team project. Failure to adhere to these requirements may result in: A minimum of zero on the assignment A reduced grade in the course A failure in the course An XE grade, which denotes failure due to academic dishonesty on the transcript Removal from the W. Carey School of Business. Carey Honor Code The mission of the W. Carey School of Business is to change lives through delivering a business education, while adhering to the highest standards of academic and personal integrity. To achieve this mission, the W. Carey School of Business is committed to fostering an atmosphere of personal responsibility, trust, honor, and academic excellence for its students both on and off campus. Honesty and Faithful Representation: Carey students will be honest and act with integrity in all their interactions and decisions. Carey School of Business Academic Integrity Policies during all academic and extracurricular activities. Thoughtfulness and Consideration for Others: Carey students will treat their peers, ASU staff, and faculty with respect and courtesy. Students should strive to add value to the university environment by helping and encouraging others, fostering intellectual dialogue, and promoting justice. By respecting others and articulating thoughtful input, students will continue to improve the image of business and business leaders. Commitment to the W. Carey students should understand and recognize the value of cultivating an intrinsic desire to promote ethical and successful business practice. This means that students should implement their acquired knowledge with the intention of greatly enhancing their own business and social environments. In this sense, W. Carey students will become positive and responsible role models in their respective communities. The Honor Code and University Policies are not abstract concepts: Students are expected to remain resolute in abiding by these principles, in both letter and spirit. The business community, and society as a whole, will excel only when individuals make concerted efforts to live by standards of ethical conduct and responsibility. As a student in the W. Carey School of Business at Arizona State University, it is your responsibility to understand that your actions are habits in the making, not isolated behaviors, and that these habits form your long-term character. As a student in FIN Valuation Techniques, you have agreed to abide by these principles and conduct yourself as a positive and ethical representative of the W. You will continually strive for excellence in each of your endeavors and seek to add value and contribute to your community. You can find additional information about academic integrity at the University Academic Integrity website: Laptops may be used in class for activities related to the discussion. Checking email or surfing the Internet during class is not acceptable and will be considered a violation of policy.

DOWNLOAD PDF SHAREHOLDER VALUE DEMYSTIFIED

Chapter 2 : download ebook SHAREHOLDER VALUE DEMYSTIFIED calendrierdelascience.com | Books

SHAREHOLDER VALUE DEMYSTIFIED and financial risk (determined by the relative proportions of debt and equity used to finance assets) are excluded accrual based accounting numbers differ from cash flows from operations dividend policy is not considered the time value of money is ignored.

Cost of debt The cost of debt is determined by taking the prevailing rate of interest charged and the tax rate incurred, and allowing for any expected changes over the forecast period. The starting point for estimating the cost of equity is the risk-free investment rate: As investors expect to get a rate of return that will compensate them for the increased risk of investing in a specific company listed on the share market rather than in treasury bonds , a premium for equity risk is calculated. It is measured by the volatility of its return in relation to that of a market portfolio. Beta co-efficients for stocks are calculated by running a linear regression between past returns for that stock and past returns on a market index. Residual value Residual value is the anticipated value of the entity beyond the forecast period. Its value depends on the assumptions made for the forecast period and an assessment of the competitive position of the business at the end of the forecast period. There is no unique formula for determining residual value: For instance, an entity adopting a harvesting strategy during the forecast period would use liquidation values; whilst an entity seeking to build its market share during the forecast period would calculate a going-concern value. The Perpetuity Method is a going-concern method of calculating residual value. This method recognises that market dynamics will not allow businesses enjoying excess returns to continue doing so indefinitely. Eventually, such a firm will face new competition. The Perpetuity Method is suggested by Rappaport as one method of calculating residual or terminal value and is described in Appendix B. The drivers of value Value drivers are the factors which drive value creation. Rappaport lists the financial drivers of shareholder value and presents a model of the way they relate to management decisions, valuation components the factors used in measuring shareholder value , and the corporate objective of creating shareholder value. Stern Stewart has identified a total of possible adjustments. The consultancy, however, recommends making an adjustment only when all the following apply: This is, in essence, the ROE formula. The problems associated with this formula using accrual accounting-based numbers are specified in Chapter 2. In EVA, such adjustments are not confined to those required to convert accrual accounting based numbers to cash. Rather, adjustments are also made to: Some commonly made adjustments are: To eliminate the effects of gearing: To eliminate other financing distortions: To convert to cash-based numbers: Other adjustments to accounting-based numbers are necessitated, not in order to achieve cash-based figures, but to reflect economic reality. For example, depreciation is not added back to profits in EVA. It is viewed as a true economic expense reflecting the operational use of plant. Similar considerations apply to research and development, and advertising and promotion expenditures. These are not written off in one go for EVA purposes; rather the write-offs are spread across the estimated useful life of the expenditures. However, Stewart suggests that the immediate past three-year period be used for the weighting process: As the minimum rate of return on capital required to compensate debt and equity investors for bearing risk, the cost of capital is the cut-off rate to create value. The drivers of value The drivers of value in EVA are profitability in current operations, and the amount and cost of capital employed. It reflects how successful a company has invested capital in the past and how successful investors expect it to be in investing capital in the future. It is therefore an absolute measure at any point of time. When assessing past performance, the organisation can calculate the market value added or lost between two specific dates. Used as a forward-looking measure, the MVA is the present value of anticipated EVAs with the cost of capital used as the discounting factor. The methods of calculating market capitalisation plus borrowings, and capital employed are provided below. Market capitalisation plus borrowings is calculated as: Note that in the last two points above, book value is used. As shown above, capital employed is subtracted from market value to obtain MVA. Capital employed is the same as that used for EVA: Marketable securities and construction in progress are subtracted. The present value of non-capitalised leases is added. However, Stewart defends the long-term efficiency and sophistication of the share market and quotes evidence to support his stand see Stewart , pp. It can be derived from an equity approach: As single period measures which are based on book values or adjusted book values rather than market values , EP has its limitations. EP is applied, not only to businesses and projects, but also to customers, customer segments, products and product packs. Total Business Return TBR is the internal proxy for TSR used by organisations for assessing future plans, internal business-unit performance, resource allocation strategies, and for implementing long-term incentives intended to drive changes in behaviour that generate increased shareholder value. TBR focuses on the factors which drive capital gains and dividends: CFROI represents the sustainable cash flow a business generates in a given year as a percentage of the cash invested to fund assets used in the business. Adjustments, which will vary from organisation to organisation, are necessary. The process is as follows: Calculate the cash flow. The resulting sum is the current dollar gross cash profit for the year. Calculate capital employed cash invested to fund assets. Re-state all assets in current dollar equivalents that is, historical investment before deduction of accumulated depreciation expressed in current dollar terms. It is necessary to ensure that all cash invested to fund assets, for example non-capitalised operating leases, are included. The result of this calculation is the current dollar gross cash investment. Allow for asset lives, that is the fact that firms have differing asset lives and asset mixes that are relevant to the performance, and so to the value, of each business. Use present value principles to find the discount rate at which: The converse is also true. An analysis of long-term bonds will reveal long-run inflationary expectations. For the cost of equity, BCG does not recommend the use of the CAPM model, which it claims contains two assumptions which are increasingly under challenge: Consequently, BCG estimates the cost of capital by relating market prices to current and expected future cash flows using its market-derived discount rate methodology, which prices equities like bonds: Under this method, current net cash flows are projected forward for the market as a whole , allowing for the average rate of company growth and changes in profitability to move towards long-run averages. Armed with current market capitalisation and projected net cash flows i. The equation can be approximately expressed as: The schematic is shown on the next page. BCG has observed three common failings when organisations apply cost of capital concepts: Using minimum hurdle rates: The objective of managers should be to exceed this. Giving too much attention to cost of capital differences between divisions or business units. It is better to use a single discount rate, unless some business units have clearly different risk profiles. Growth and free cash flow Growth in invested capital producing CFROIs which exceed market expectations is the second strategy for the achievement of capital gains. Growth is promoted by free cash flow also referred to as operating cash flow. It consists of net cash flow derived by the business units and made available to the parent in a given year BCG2. Investors are aware that a company which has grown very rapidly is not likely to sustain that rate of growth indefinitely. Similarly, companies which have been exceptionally profitable are unlikely to be able to sustain that level of profitability. Increased competition, new entrants into the market or the advent of substitutable products will inevitably force profits to normal levels. BCG believes that companies with the primary objective of maximising shareholder wealth must think like the market. It is particularly important when valuations incorporate high terminal values arising from growth or profitability assumptions beyond the planning horizon. The application of this concept means that computing the value of a business, given only its latest reported performance, involves: The drivers of value As indicated above, the BCG methodology offers three value drivers: ROI, growth, and free cash flow. The return on invested capital can be increased by either: The growth implicit in the second method can, to some degree at least, be funded by free cash flow. Clearly, traditional accounting methods and the shareholder value methodologies vary in complexity, in that the value-based models start with accounting numbers and then make adjustments. Complexity is dependent on the number of adjustments: Accuracy, however, can be a misleading word in this context. Ambiguity and uncertainty abound in a global world where both local and external events are often unpredictable and have widespread effects. In the midst of this level of change, organisations estimate the effect on shareholder value of potential strategies, investments, projects, technologies, and so on by estimating future cash flows, and the cost of capital. Behind these estimates are more estimates: If the inputs to all value methodologies contain estimates, perhaps the level of accuracy, and therefore value to organisations, of each can be judged by the degree to which the outputs of the measurement process correlate with stock prices. Academic research long ago established that the movement of share market prices, after allowing for general market movements, does not correlate with the financial information contained in annual reports unless that information has cash flow effects. Anecdotal evidence for instance in articles in recent Australian business magazines, and BCG publications, or the convictions expressed by executives of various companies using, or about to use, one of these methodologies concerning the correlation of share market prices and calculated shareholder value measures suggests that, while all are good, the more complex the methodology, the better the correlation. Academic research of the correlation of EVA and stock market prices is inconclusive. Dierks and Patel report on three research findings: Summary As stressed previously, the use of value-based methodologies does not, of itself, create value.

Chapter 3 : Shareholder Value Demystified (ebook) by Maria Barbera |

Shareholder Value Demystified - Download as PDF File .pdf), Text File .txt) or read online.

Chapter 4 : Risk Management Demystified

Free Shareholder Value Demystified: An Explanation Of Methodologies And Use by Tony Theorie der chemischen Bindung auf quantentheoretischer Grundlage ') reviewed

Chapter 5 : Free Download: Demystified's books serie FULL

This book challenges the usefulness of traditional accounting formulae, such as profit or return on investment, by measuring the value added by an organisation's activities.

Chapter 6 : Demystified's books serie FULL - Free eBooks Download

The book identifies the inadequacies of traditional accounting measures for performance measurement, demonstrates ways in which shareholder value thinking can be applied to strategy selection and implementation, and situates the shareholder value methodologies in organisation value-creating frameworks through a discussion of value-based management.

Chapter 7 : Free Shareholder Value Demystified: An Explanation Of Methodologies And Use

Extra resources for Shareholder Value Demystified: An Explanation of Methodologies and Use (Strategic Resource Management Series) Sample text. 2. 3.

Chapter 8 : EconomPic: Stock Buybacks Demystified

If you don't have calendrierdelascience.comOLDER VALUE DEMYSTIFIED 52 Lessons At the corporate level. desirable behavioural changes and a better level of internal debate. the calculation of economic profit and economic value added is an outcome. the application of shareholder value principles has been highly successful in CCA. its use has facilitated.

Chapter 9 : Shareholder Maximization-The Dumbest Idea in the World; Is Skill Dead? | csinvesting

Shareholder value demystified: an explanation of methodologies and use 5. by Maria Barbera; Rodney W Coyte; Australian Centre for Management Accounting Development.