

Federal State Autonomous Educational Institution of Higher Education  
"Peoples' Friendship University of Russia"

Faculty of Economics  
Department of National Economy

Recommended by MSSN / MO

Program and Description of the Course

**Business valuation and company's cost management**

Master Program "International Business"

field 38.04.01 "Economy"

specialization "International Business"

Qualification (degree) graduate:      Master Degree

2021

## 1. Goals and objectives of discipline:

The goal of the course: “Business valuation and company’s cost management” is to study the theory and practice of business valuation and company value management. Theoretical knowledge and practical skills in this area of entrepreneurship are necessary for organizing appraisal work in addressing topical issues of restructuring (creating new business lines, changing the organizational structure of an enterprise), and reorganizing a business (buying and selling, merging, separating, merging, absorbing) and also substantiation of production and commercial, investment and financial decisions from the standpoint of changes in the market capitalization of an enterprise. Special attention is paid to cost management, as an integrating process, aimed at the qualitative improvement of strategic and operational decisions taken at all levels by focusing on key cost factors

The main objectives of the study subjects are:

- the study of approaches and methods of valuation of business and real estate, income;
- mastering the essence and methods of managing the company's value;
- development of practical skills of business valuation and company value management of

students. 2. Place of discipline in the structure of the study plan:

This course is a variety part course of the curriculum. Knowledge and skills acquired in the study of this course will be used in the study of other disciplines, in writing papers and Master Thesis, in scientific research of students.

Table No. 1 shows the previous and subsequent disciplines aimed at the formation of the competencies of the discipline in accordance with the competency matrix of OP VO. Table No. 1 - Previous and subsequent disciplines aimed at the formation of competencies

Competence	Preceding	Subsequent
UC-2. Able to manage a project at all stages of its life cycle	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.

UC-3. Able to organize and manage the team's work, developing a team strategy to achieve the goal	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.
UC-7. Able to use digital technologies and methods of searching, processing, analyzing, storing and presenting information (in the professional field) in the digital economy and modern corporate information culture	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.
GPC-4. Able to make economically and financially sound organizational and managerial decisions in professional activities and	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.
GPC-5. Able to use modern information technologies and software tools in solving professional tasks	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.
GPC-6. Able to critically evaluate the capabilities of digital technologies for solving professional problems, work with digital data, evaluate their sources and relevance	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.
PC-1. Able to analyze and forecast the main socio-economic indicators of the enterprise, industry, region and the economy as a whole PC-2. Able to develop design solutions, strategies for the behavior of economic agents and evaluate their effectiveness. PC-3. Able to independently carry out research activities and critically evaluate the results obtained	Microeconomics, Econometrics, International trade, Technology transfer, Doing business in Russia, Corporate innovation policy, Macroeconomics, International monetary relations, International business management, Corporate security	International project management, International payment systems, Corporate finance. Company's FEA, Research practice.

### 3. Requirements for the results of the studying of discipline are:

Universal competencies (UC):

UC-2. Able to manage a project at all stages of its life cycle.

UC-3. Able to organize and manage the team's work, developing a team strategy to achieve the goal.

UC-7. Able to use digital technologies and methods of searching, processing, analyzing, storing and presenting information (in the professional field) in the digital economy and modern corporate information culture.

General professional competencies (GPC):

GPC-4. Able to make economically and financially sound organizational and managerial decisions in professional activities and be responsible for them.

GPC-5. Able to use modern information technologies and software tools in solving professional tasks.

GPC-6. Able to critically evaluate the capabilities of digital technologies for solving professional problems, work with digital data, evaluate their sources and relevance .

Professional competencies (PC):

analytical

PC-1. Able to analyze and forecast the main socio-economic indicators of the enterprise, industry, region and the economy as a whole

design and economic

PC-2. Able to develop design solutions, strategies for the behavior of economic agents and evaluate their effectiveness.

research

PC-3. Able to independently carry out research activities and critically evaluate the results obtained.

As a result of studying the “Business valuation and company’s cost management” course, trainees should: know:

- maintenance of business valuation, needs of valuation process, purpose of valuation and types of cost;
- basic principles of business valuation;
- the approaches and methods used in business valuation;
- world practice of business valuation activity.

be able to:

- to carry out valuation of business in general or its separate assets;
- to make the report based on business valuation activity;
- to make management decisions concerning business or separate assets based on results of business valuation process. possess:

- analysis and forecasting tools of enterprise activity indicators for assessment of its value;
- methods of business valuation based on income, market and cost approaches.

4. The work load of discipline and types of training activities Credit

hours for the discipline are 2 credit units (one semester)

Type of school work	Total hours	Semester			
		1	2	3	4
Classroom	72			72	

Including:	-			-	
Lectures	24			24	
Seminars (C)	48			48	
Self-study (total)	72			72	
Including:					-
Course project (individual project)	40			40	
Cash and graphics					
Review	7			7	
<i>Other types of independent work:</i>					
Preparation of 2 creative projects					
Independent study of recommended literature	10			10	
Preparation for the final certification	15			15	
Type of interim assessment (test, exam)					
The overall credit hours					
	144			144	

Topic 1. Business valuation: subject, goals, principles, special applications and standards

The subject of evaluation. Principles of business valuation. Special applications for business valuation. Costing and valuation approaches. Cost standards

Topic 2. Income approach to business valuation: methodology, business risk management

The methodology of the income approach to business valuation. Residual present value of the business. The net present value of the newly started business (investment project). Fisher formula. Accounting for business risks. The method of analogies. Capital Assessment Model. The method of cumulative discount rate. The methodology of the income approach to business valuation.

Topic 3. Discounted cash flow method, fixed income capitalization model, Gordon model

Discounted cash flow method. The capitalization method of indefinitely long standing income. Capitalization of fixed income received for a limited period (Inwood, Hoskald, Ring models). Gordon's model

#### Topic 4. Market approach to business valuation

Methodology of the market approach. Capital Market Method. Transaction method. Industry Specific Method.

#### Topic 5. Property (cost) approach to business valuation

The methodology of the property (cost) approach. Asset accumulation method. The method of "excess profits"

#### Theme 6. Evaluation of certain types of property of enterprise

Property valuation methodology. Comparative (market) approach to real estate valuation. The cost method for assessing the market value of real estate. Income approach to determining the market value of real estate. Evaluation of the market value of machinery and equipment.

Theme 7. Evaluation of intellectual property and intangible assets of enterprise The cost approach in the evaluation of intangible assets. Comparative approach in the evaluation of intangible assets. The income approach in the evaluation of intangible assets. Valuation of some types of intangible assets as industrial property objects. Determination of the cost of the invention by profit. Determining the value of a trademark by profit. Determination of the value of industrial property objects having legal protection according to the actual costs incurred

#### Topic 8. Valuation of financial assets of an enterprise

Valuation of shares of the company. Determination of the market value of bonds. Analysis of financial ratios of the enterprise

#### Topic 9. Evaluation and management of the company's value

Maximizing the value of the company as the main goal of strategic management. Methods of valuation and management of the value of the company, based on the concept of economic profit. Cost management concepts. Factors and cost indicators. The essence and application of the economic value added (EVA). The use of EVA in the management of company value. The essence and application of the shareholder value added (SVA). Management of the company's value based on the synthesis of the EVA indicator with a Balanced Scorecard (BSC). The process of restructuring the company as an element of cost management.

5.2 Thematic sections and interdisciplinary connection with other disciplines.

Discipline is taught in the 3<sup>rd</sup> semester of the master's program and does not require follow-up training courses.

### 5.3. Workload composition

№	Topics	Total Hours	Classroom hours		Independent work
			Lectures	Seminars	
1	Business valuation: subject, goals, principles, special applications and standards	12	2	4	6
2	Income approach to business valuation: methodology, business risk management	20	4	6	10
2	Discounted cash flow method, fixed income capitalization model, Gordon model	16	2	6	8
4	Market approach to business valuation	20	4	6	10
5	Property (costly) approach to business valuation	20	4	6	10
6	Evaluation of certain types of property of the enterprise	16	2	6	8
7	Valuation of intellectual property and intangible assets of an enterprise	12	2	4	6
8	Valuation of an enterprise's financial assets	12	2	4	6
9	Company valuation and management	16	2	6	8
Total		144	24	48	72

6. Laboratory workshop. Not provided.

### 7. Practical exercises (seminars)

TOPIC	seminars (h)
Business valuation: subject, goals, principles, special applications and standards	4
Income approach to business valuation: methodology, business risk management	6
Discounted cash flow method, fixed income capitalization model, Gordon model	6
Market approach to business valuation	6
Property (costly) approach to business valuation	6

Evaluation of certain types of property of the enterprise	6
Valuation of intellectual property and intangible assets of an enterprise	4
Valuation of an enterprise's financial assets	4
Company valuation and management	6

8. Sample topics for discussion (research)

1. Cases in which estimation of cost of the enterprise is necessary (business).
2. Formulation the purpose of assessment of the enterprise when determining market, liquidating, investment value.
3. The key factors of cost of business influencing cost object.
4. Features of pricing in the market of ready business in modern conditions.
5. Perspective types of business on which it is predicted stable demand.
6. General characteristic of profitable approach to business valuation
7. Business valuation by method of capitalization of income
8. Definition of the capitalized income in business valuation of cost
9. Definition of rates of discount for different types monetary streams
10. Profitability assessment models for equity
11. Calculation of weighted average cost of capital
12. The DCF method in business assessment: stages, application conditions, advantages and shortcomings.
13. Formation of cash flows in business estimation of cost
14. Methods of determination of residual cost of business. Amendments in process of removal of total size of cost by DCF method
15. Similarities and distinctions of a method of the capital market and method of transactions.
16. Advantages and shortcomings of business valuation by comparative approach with use of foreign experience.
17. Advantages and shortcomings of expensive approach to business valuation in comparison with other approaches to assessment.
18. Similarities and distinctions of prerequisites and stages of application of a method savings of assets and method of liquidating cost in valuation costs of the enterprise (business).
19. Articles of balance to which amendments to process usually are not made applications of a method of accumulation of assets.
20. Specifics of intangible assets as object of valuation.
21. Characteristic of the main approaches to intangible assets valuation



## 9. Methodical and informational support

### a) main literature:

1. Quantitative Business Valuation. A Mathematical Approach for Today's Professional. JAY B. ABRAMS, ASA, CPA, MBA. 2001 by McGraw-Hill. <https://onlinelibrary.wiley.com/doi/pdf/10.1002/9781119202868.ch7>

### b) additional literature:

1. BUSINESS VALUATION FOR SMALL AND MEDIUM-SIZED ENTERPRISES. Master thesis. Business Administration, University of Twente B.G. Beld BSc.S1234277, 2017 [https://essay.utwente.nl/72823/1/BELD\\_BA\\_BMS.pdf](https://essay.utwente.nl/72823/1/BELD_BA_BMS.pdf)
2. Journal of Business Valuation and Economic Loss Analysis <https://ideas.repec.org/s/bpj/jbvela.html>

### c) Internet resources:

- <http://www.akm.ru/>
- <http://www.rbc.ru/>
- <http://www.vestona.ru/>
- <http://www.finmarket.ru/>
- <http://www.bus.utexas.edu/>
- <http://www.parkercenter.gsm.cornell.edu/>
- <http://www.mckinseyquarterly.com/>

## 10. Software

OC MS Windows (XP), MS Office 2010, Mentor

Logistical support discipline:

- classrooms (rooms) at the workplace for lectures (depends on the number of students) and for seminars (the number of students in separate groups);
- board;
- desktop PC with Microsoft Office 2007;
- multimedia projector;
- portable equipment - a laptop and a projector;
- screen (stationary or portable floor).

№ aud.	Name-equipped classrooms	List of main equipment
17	Classroom	Multimedia Projector - 2 pcs., Sound Tribune - 1 pc., Screen - 2 pcs.

19	Computer Class	Computers Pentium 4-1700/256MB/cd/audio - 21 pcs., Multimedia projector PanasonicPT-LC75 - 1 pc, The screen is 1 unit.
103	Classroom	Multimedia Projector - 1 pc,
105	Classroom	Multimedia Projector - 1 pc,
1	Classroom	Multimedia Projector - 1 pc,
2	Classroom	Multimedia Projector - 1 pc,
Conference hall	Classroom	Multimedia Projector - 1 pc, Sound equipment
Hall 4 Library	Classroom	Multimedia Projector - 1 pc.,

There are 770 library workstations in the reading rooms of PFUR library. Reading and lending rooms of the Academic and Research Library are located in 5 university buildings. Some rooms are used for group work, 3 rooms are equipped with multimedia devices. Internet access is provided in the library via Wi-Fi.

There are more than 17000 Library readers. Library fund contains 1.800.000 books and is increased monthly. The funds are universal, they are formed by the discipline principle. It is increased due to departments' orders. The library staff counts 43, 36 of them have university degrees, 90% are computer competent.

Electronic catalogue has been compiled since 1990. Since 2010 PFUR e-library system has provided readers with information and full-text document access.

Book lending is done automatically. The free access room is equipped with self-service lending station applying RFIT-technology.

All PFUR computers provide access to PFUR e-library system and electronic sources.

The platform for information, service and resource access is available at the library website <http://lib.rudn.ru/>.

#### 11. Guidelines on the organization of the discipline: Types of classes and teaching methods

The implementation of the course includes interactive lectures, practical sessions (workshops) including multimedia equipment and an interactive tutorial, the independent creative works and their subsequent presentation, testing, group discussions on topics of the course.

Lectures	The classroom form of instruction in which the main provisions of the academic discipline are given. The ultimate goal of the lectures is the achievement by students of the degree of mastering the theoretical knowledge they need for further professional activity. The form of the lecture can be both traditional and interactive.
Seminars	A classroom dialogue form of classes on one of the course topics,

	involving the active participation of students (all or some of them), aimed at developing their skills of independent theoretical analysis of the problems addressed in the course, including by studying texts of primary sources, accumulating practical experience in solving typical professional tasks.
Group academic counseling	The main task of group academic counseling is a detailed or in-depth examination of some theoretical course topics, the development of which, as a rule, makes it difficult for some students. At the request of students, it is possible to introduce additional ones for discussion: topics of particular interest to them that do not receive sufficient coverage in the lecture course. This form of study is mandatory for the teacher, the student has the right not to take part in such a consultation if he has successfully mastered this section of the course on his own or the additional topic being discussed does not interest him.
Individual consultations	An out-of-class form of a teacher's work with an individual student, implying discussion of those sections of the discipline that were not clear to the student, or caused by the student's desire to work on writing a course or final qualifying work for the course being studied.
Master class	Lecture and / or group counseling by a guest of well-known and highly qualified foreign or domestic scholar (or practice in this field). The task is to show the real side of research and applied work in science and demonstrate to students the standards of professional thinking in their chosen specialty.
Independent work	Reading the recommended literature (mandatory and optional), preparing for oral presentations, preparing for written examinations (midterm, final tests), writing essays, essays, term papers and final qualifying works; as well as other types of work required to complete the curriculum

#### Terms and criteria for grading

From students are required to attend lectures and seminars, mandatory participation in the certification tests, the performance of the teacher's assignments. Especially appreciated is the active work at the seminar (the ability to lead a discussion, a creative approach to the analysis of materials, the ability to clearly and concisely formulate their thoughts), as well as the quality of the preparation of quizzes (tests) and reports.

Evaluation of the discipline being taught is based on the results of the study, demonstrated by students throughout the entire period of study (usually a semester). The final grade is determined by the amount of points received by students for various types of work during the entire period of study provided by the curriculum.

All types of educational work are carried out exactly in the terms stipulated by the training program. If a student, without good reason, did not complete any of the study tasks (he missed the test, passed the abstract later, etc.), then points are not awarded for this type of study, and the works prepared after the due date are not evaluated.

For various types of work during the entire period of study a student can get the maximum amount - 100 points, of which:

19 points - final exam

18 points - mid-term works

63 - active work at seminars, assignments, including homework and protection of the individual business valuation report

Score-rating system of knowledge assessment, rating scale

BRS points	Traditional RF ratings	ECTS
95 - 100	Excellent - 5	A (5+)
86 - 94		B (5)
69 - 85	Good - 4	C (4)
61 - 68	Satisfactory - 3	D (3+)
51 - 60		E (3)
31 - 50	Unsatisfactory - 2	FX (2+)
0 - 30		F (2)
51 - 100	Test	Passed

Description of ECTS ratings:

A ("Excellent") - the theoretical content of the course has been mastered completely, without gaps, the necessary practical skills of working with the mastered material have been formed, all the training tasks provided by the training program have been completed, the quality of their implementation is estimated by the number of points close to the maximum.

B ("Very Good") - the theoretical content of the course has been fully mastered, without gaps, the necessary practical skills of working with the mastered material are basically formed, all the training tasks provided by the training program are completed, the quality of performance of most of them is assessed by the number of points close to the maximum.

C ("Good") - the theoretical content of the course has been fully mastered, without gaps, some practical skills of working with mastered material are not sufficiently developed, all the training tasks provided for by the training program are completed, the quality of performance of none of them is assessed by the minimum number of 5 dollars, some types of tasks are completed with errors.

D ("Satisfactory") - the theoretical content of the course has been partially mastered, but the gaps are not essential, the necessary practical skills of care with the material mastered are mostly formed, most of the training tasks provided by the training program are completed, some of the completed tasks may contain mistakes.

E ("Mediocre") - the theoretical content of the course has been partially mastered, some practical skills have not been formed, many of the training tasks provided by the training program have not been completed, or the quality of performance of some of them is assessed by the number of points close to the minimum.

FX ("Conditionally unsatisfactory") - the theoretical content of the course is partially mastered, the necessary practical skills are not formed, most of the training tasks provided by the training program are not fulfilled or the quality of their implementation is assessed by the number of points close to the minimum; with additional independent work on the course material it is possible to improve the quality of the performance of training tasks

F ("Certainly unsatisfactory") - the theoretical content of the course is not mastered, the necessary practical skills are not formed, all completed training tasks contain blunders, additional

independent work on the course material will not lead to any significant improvement in the quality of the training tasks.

12. The fund of assessment tools for the intermediate certification of students in the discipline

Test questions to examination in the course " Business valuation and company's cost management"

1. The most important when determining cost of production company is:

- 1) flow of future monetary income
- 2) cost of tangible assets of the company
- 3) cost of tangible and intangible assets

2. With increase in risk of possession of an object of assessment its cost:

- 1) raises
- 2) decreases

3. With decrease in risk of possession of an object of assessment its cost:

- 1) raises
- 2) decreases

4. Can be date of estimation of cost of the enterprise (business):

- 1) concrete date
- 2) an event which time of fulfillment is not defined yet
- 3) several dates

5. Date of estimation of cost of the enterprise (business) is:

- 1) date as of which assessment is made
- 2) date of delivery of the report on assessment
- 3) date of signing of the contract on evaluating

6. Than later income generation as a result of business operation is predicted, that its cost:

- 1) above
- 2) below

7. Than earlier income generation as a result of business operation is predicted, that its cost:

- 1) below
- 2) above

8. Use for assessment of total size of cost of the enterprise (business) perhaps during:

- 1) three months from the date of drawing up the report on assessment
- 2) six months from the date of drawing up the report on assessment
- 3) six months from the date of assessment

9. Liquidating project cost of assessment:

- 1) estimated cost of elimination (destruction) of an object of assessment
- 2) project cost at its forced sale

10. The basis for evaluating an object of assessment according to the Law "About estimated activity in the Russian Federation" is:

- 1) the application of the customer about evaluating
- 2) report on assessment
- 3) contract between the appraiser and customer

11. The contract between the appraiser and the customer for work by assessment costs of the enterprise (business):

- 1) it can be concluded in an oral form
- 2) consists only in writing and demands the notarial certificate
- 3) consists only in writing and does not demand notarial

certificates

12. Total cost of all single equity stakes of operating enterprises:

- 1) it is more than the cost of all enterprise
- 2) it is less than the cost of all enterprise

13. Investment cost for the specific investor can differ from market value for the reasons:

- 1) differences in assessment of future profitability (profitability)
- 2) differences in assessment of future profitability (profitability), distinctions in ideas of risk level, differences in taxation
- 3) differences in assessment of future profitability (profitability), distinctions in ideas of risk level

14. The procedure of definition of income and expenses which are characteristic for the business functioning in market conditions, is called:

- 1) transformation of accounting reports
- 2) aggregation of accounting reports
- 3) normalization of accounting reports

15. The procedure of change of a form of submission of accounting reports in compliance with the international standards of accounting is called:

- 1) transformation of accounting reports
- 2) normalization of accounting reports
- 3) aggregation of accounting reports

16. When calculating a cash flow for equity change of long-term debts:

- 1) it is not considered
- 2) it is considered

17. When calculating a debt-free cash flow change of long-term debts:

- 1) it is considered
- 2) it is not considered

18. Consider impact of inflation and pay off in the prices of a forecast period:

- 1) real cash flows
- 2) nominal and real cash flows
- 3) nominal cash flows

19. Are cleaned from impact of inflation and pay off in the prices of the basic period:

- 1) nominal cash flows
- 2) real cash flows
- 3) nominal and real cash flows

20. Consider change of long-term debt and impact of inflation in calculation process:

- 1) nominal debt-free cash flow
- 2) real debt-free cash flow
- 3) a real cash flow for equity
- 4) a nominal cash flow for equity

21. Change of long-term debt and impact of inflation is not considered in the course of calculation:

- 1) nominal debt-free cash flow
- 2) real debt-free cash flow
- 3) a nominal cash flow for equity
- 4) a real cash flow for equity

22. In the conditions of high rates of inflation and lack of loan financing in structure of sources of company funds in the course of application of a method of discounted

cash flows application is reasonable:

- 1) real debt-free cash flow
- 2) a real cash flow for equity
- 3) nominal debt-free cash flow

The fund of assessment tools for the discipline are presented in the appropriate teaching materials.

The program is compiled in accordance with the requirements of OS VO RUDNF

Developers

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