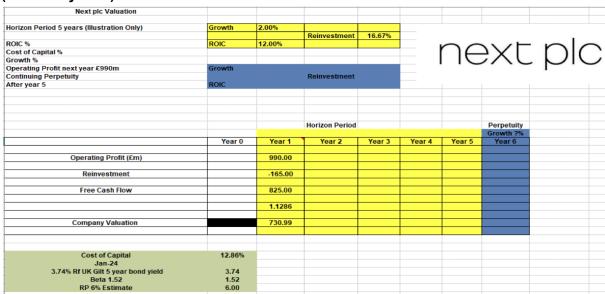
# 1 - A Valuation Model (20 marks) (see Excel template on Moodle for example (Assignment Brief & Assignment Resources section)

#### (Create my own)



#### 2 - A Valuation Report (80 marks)

- Section A 20 marks Justify model inputs
- Section B 30 marks Valuation Methodologies critique
- Section C 30 marks Capital Asset Pricing Model (CAPM) critique Justify CAPM inputs

# Section A - 20 marks - Justify model inputs (500 words)

In your role as Valuation Consultant at QA;

- You will comment briefly on the valuation you have produced (using the valuation model) and compare your valuation figure with any other current valuation figure available (2 marks), and;
- 2. You will be expected to fully justify the estimates used in your model regarding the following key elements;
- The horizon period chosen (8 marks)
- The difference (spread) between ROIC and the Cost of Capital <u>both</u> during and after the horizon period (5 marks)
- The expected future growth <u>both</u> during and after the horizon period (5 marks)

Justification should be provided with reference to a combination of theoretical literature, company, and industry specific factors. <u>It is vital that justification</u> comes from a combination of these sources.

### Section B - 30 marks - Valuation Methodologies Critique (850 words)

In your role as Valuation Consultant, you will be required to;

- Write a critique of the valuation methodology employed (e.g., free cash flow / discounted cash flow valuation methodology) (20 marks)
- 2. Briefly write a critique of any <u>two</u> alternative valuation methodologies (**10 marks 5 marks for each alternative methodology chosen**).

<u>Justification should be made with reference to a wide range of relevant theoretical literature.</u>

- 1 Use the terms DCF / FCF interchangeably
- 2 Any two alternative methodologies

This whole section can be approached as a standalone research task e.g. no linkage to Next plc

# Section C - 30 marks - CAPM critique / inputs (850 words)

#### Section C (30 marks)

In your role as Valuation Consultant;

- (a) You will be briefly required to <u>critique</u> the model used to estimate the Cost of Capital e.g., CAPM **(12 marks)** and;
- (b) You will be required to justify the estimates used, both in the Horizon Period and the Perpetuity Period in respect of;
  - (i) the risk-free rate (6 marks)
  - (ii) the risk premium (6 marks)
  - (iii) Beta (6 marks)

Issues surrounding the model (CAPM) and the difficulties in estimating inputs to the model should be fully explored with reference to relevant theoretical literature.

Part (a) can be approached as a standalone research task e.g. no linkage to Next plc