COURSE UNIT (MODULE) DESCRIPTION

Course unit (module) title	Code
Equity Securities	

Lecturer(s)	Department(s) where the course unit (module) is delivered
Coordinator: Prof. Dr. Rasa Kanapickienė **Other(s):**	Department of Finance

Study cycle	Type of the course unit (module)
Second	Compulsory

Mode of delivery	Period when the course unit (module) is delivered	Language(s) of instruction
Classroom	Third semester	English

Requirements for students	
Prerequisites: none	**Additional requirements (if any):** none

Course (module) volume in credits	Total student's workload	Contact hours	Self-study hours
5	130	48	82

Purpose of the course unit (module): programme competences to be developed			
The student should be able to analyse and evaluate equity securities using appropriate valuation concepts and techniques and to estimate risk and expected return of equities in global contexts			
Learning outcomes of the program	**Learning outcomes of the course unit (module)**	**Teaching and learning methods**	**Assessment methods**
will be able to effectively gather, process, analyze, critically evaluate data and detect problems in accounting and finances.	The ability to understand the significance of investment, its logic, consistency, and opportunities; the ability to assess the effectiveness of various types of equity securities	Lectures, practical training, research seminars, self-study. Active teaching (learning) methods (group discussion; case study), research methods (information gathering, studies of scientific literature, individual tasks, team work in preparing and delivering a scientific report)	Examination, a test (open and closed-type tasks or questions), evaluation individual tasks; evaluation of the scientific report
will demonstrate skills of analytical, systemic, critical, creative, socially responsible and ethical way of thinking and acting while acknowledging and critically evaluating innovations in finance being aware of continuous changes in national market and on the global scale.	The ability to analyse and assess the risk of various types of equity securities	Lectures, practical training, research seminars, self-study. Active teaching (learning) methods (group discussion; case study), research methods (information gathering, studies of scientific	Examination, a test (open and closed-type tasks or questions), evaluation individual tasks; evaluation of the scientific report

		literature, individual tasks, team work in preparing and delivering a scientific report)	
will be able to continuously learn, initiate and conduct empirical research as well as take responsibility for carrying out solutions to financial management.	The ability to apply mathematical methods to the assessment of investment alternatives, to draw conclusions, and to take justified investment decisions	Lectures, practical training, research seminars, self-study. Active teaching (learning) methods (group discussion; case study), research methods (information gathering, studies of scientific literature, individual tasks, team work in preparing and delivering a scientific report)	Examination, a test (open and closed-type tasks or questions), evaluation individual tasks; evaluation of the scientific report
will demonstrate most recent scientific research-based knowledge in accounting, finance, economics, management, auditing as well as their ability to apply it in rapidly changing business environments, both traditional and global organizations.	The ability to analyse an invest-ment problem and provide potential ways of its solution	Research methods (team work in preparing and delivering a scientific report)	Evaluation of the scientific report

Content: breakdown of the topics	**Contact hours**								**Self-study work: time and assignments**	
	Lectures	Tutorials	Seminars	Exercises	Laboratory work	Internship/work placement	E-learning	**Contact hours**	**Self-study hours**	**Assignments**
1. Equity Valuation: Applications and Processes. Value definitions and valuation applications. The valuation process. Communicating valuation results	1							1	4	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 27
2. Return concepts. Return concepts: *Holding period return; Realized and expected (holding period) return; Required return; Expected return estimates from intrinsic value estimates; Discount rate; Internal rate of return*. The equity risk premium. The required return on equity. The weighted average cost of capital. Discount rate selection in relation to cash flows	1							1	4	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 28
3. Industry and Company Analysis. Financial modelling: *Modelling of Income statement, Balance sheet and Cash flow statement; Scenario analysis and sensitivity analysis*. The impact of competitive factors on prices and costs. Sales and cost projections with inflation and deflation. Technological	2		2				4	8	12	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 29

developments. Long-term forecasting. Building a model: *Industry overview; Company overview; Construction of pro forma Income statement, Cash flow statement and Balance sheet; Valuation inputs*.										
4. Discounted Dividend Valuation. Present value models. The dividend discount model. The Gordon growth model. Multistage dividend discount models: *Two-stage dividend discount model; Valuing a non-dividend-paying company; The H-model; Three-stage dividend discount models; Spreadsheet (general) modelling; Estimating a required return using any DDM* The financial determinants of growth rates: *Sustainable growth rate; Dividend growth rate, retention rate, and ROE analysis; Financial models and dividends*	2		2				4	8	12	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 30
5. Free Cash Flow Valuation. FCFF and FCFE Valuation Approaches: *Present Value of Free Cash Flow; Single-Stage (Constant-Growth) FCFF and FCFE Models.* Forecasting Free Cash Flow. Free Cash Flow Model Variations: *An International Application of the Single-Stage Model; Sensitivity Analysis of FCFF and FCFE Valuations; Two-Stage Free Cash Flow Models; Three-Stage Growth Models.* Non-operating Assets and Firm Value	2		2				4	8	12	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 31
6. Market-Based Valuation: Price and Enterprise Value Multiples. Price and enterprise value multiples in valuation. Price multiples. Enterprise value multiples. International considerations when using multiples. Momentum valuation indicators	2		2				4	8	12	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 32
7. Residual Income Valuation. Residual income: *The use of residual income in equity valuation; Commercial implementations.* The residual income model: *The general residual income model; Fundamental determinants of residual income; Single-stage residual income valuation; Multistage residual income valuation.* Residual income valuation in relation to other approaches. Accounting and international considerations	1		2				4	7	8	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 33
8. Private Company Valuation. The scope of private company valuation. Definitions (standards) of value. Private company valuation approaches: *Earnings normalization and cash flow estimation issues; Income approach methods of private company valuation; Market approach methods of private company valuation; Asset-based approach to private company valuation; Valuation discounts and premiums; Business valuation standards and practices*	1		2				4	7	8	Studies of research literature, completion of individual assignments, preparing a presentation Required reading: CFA Institute. Reading 34
10. Preparation for the final exam								0	10	
Total	**12**	**0**	**12**	**0**	**0**	**0**	**24**	**48**	**82**	

Assessment strategy	Weight, %	Deadline	Assessment criteria
Classroom work, independent individual work	20	During the semester	2 point: a student participates actively in discussions, responds to questions, formulates problems and questions, gives critical remarks, accomplishes individual tasks and presents them. 1 point: a student participates in discussions, answers given questions; accomplishes individual tasks with minor mistakes. 0 point: a student hardly participates in discussions, does not accomplish individual tasks or has missed more than 1/3 of seminars.
A paper *(group project)* (p. 15). The group analyses an investment problem and provides potential ways of its solution	30	At set time, a week before work presentation	Evaluation aspects of the paper: - *structure and scope of the work:* the structure of the paper is clear and logical, it contains all necessary parts (introduction, where the topic, aims, objectives, methods and empirical material are presented; body, where the analysis and interpretation of the empirical material are given; conclusions), the scope is appropriate (0.2 point); - *analysis and conclusions:* analysis is sound and thorough, conclusions well formulated and based on the empirical material (2 points); in case analysis carried out is not very sound, conclusions are not always grounded 1 point is given; superficial analysis does not deserve any points. - *academic style and research ethics:* decent usage of references and quotations; formulations and style comply with the requirements of an academic work (0.2 point). Evaluation in case the paper is not presented – 0 points. – *Presentation:* presentation is logical and clear, the main results of the research are reflected properly (0.6 point)
Examination	50	At set time	Test consists of 50 open- and closed-type questions (varying in difficulty regarding understanding and judgement), each worth 1 point. Evaluation: **5:** excellent knowledge and skills. Level of judgement. 90-100% correct answers. **4:** good knowledge and skills, there are minor mistakes. Level of synthesis. 70-89% correct answers. **3:** average knowledge and skills, there are some mistakes. Level of analysis. 50-69% correct answers. **2:** knowledge and skills are below average, there are essential mistakes. Level of knowledge application. 30-49% correct answers. **1**: knowledge and skills satisfy minimal requirements. There are many mistakes. Level of knowledge and understanding. 10-29% correct answers. **0:** below minimal requirements. 0-9% correct answers.

Author	Year of publication	Title	Issue of a periodical or volume of a publication	Publishing place and house or web link
Compulsory reading				
CFA Institute	2017	Equity. CFA Program Curriculum. Volume 4. Level 2		Pearson Publishing
Damodaran, Aswath	2012	Investment Valuation: Tools and Techniques for Determining the Value of Any		Hoboken [N.Y.] : J. Wiley

		Asset		
Optional reading				
Bodie, Zvi Kane, Alex Marcus, Lan	2013	Essentials of Investments		New York [N.Y.] : McGraw-Hill
Research Articles		Journal of Finance, Financial Markets, Institutions and Instruments, Journal of Business, Journal of Money, Credit and Banking, Oxford Economic Papers, Finance and Development, The Economist		