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## Choices and Consequences of Valuation Policies

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## Abstract

"Choices and Consequences of Valuation Policies" focusses on the Noble Group's performance since 2011 and the impact of the adverse research report published by the independent outfit, Iceberg Research in 2015, on the company. The veracity of Iceberg Research's reports is analyzed. The case uses financial statement analysis, valuing companies through income, market and asset/cost approaches to assess if Noble Group paid purchase considerations in excess of the target firm's intrinsic values while acquiring associates, particularly Australia-based Yancoal. The case study also provides the setting to use macroeconomic factors in conjunction with valuation techniques and financial statement analysis to evaluate a potential investment.

## Learning Objectives

(1) Valuing companies using the income, market and asset/cost approaches; (2) Using macroeconomic parameters in conjunction with valuation techniques and financial statement analysis to evaluate a potential investment; (3) Benchmarking Asian commodity traders in general and Noble in particular with global commodity majors like Archer Daniels Midland (ADM) and Bunge Limited; (4) Exploring whether the accounting treatment of an investment – that is, categorisation of an investment as capital expenditure (capex), subsidiary, associate or financial investment – impacts financial statement analysis.

## Keywords

Noble Group; Iceberg Research; Valuation; Financial Statement Analysis; Commodities Trader