

COMM1180 — Value Creation

Consolidated Notes (Weeks 1–10, excl. Week 6)

SAMPLE PREVIEW

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Week 1 — Comparing Value Using Cash Flows Across Time

Course Structure & Assessment

Phase 1 (Weeks 1–3, Finance): Measuring value.

Phase 2 (Weeks 4–7, Marketing + Accounting): Understanding and creating value.

Phase 3 (Weeks 8–10, Finance + Accounting): Evaluating value.

Assessments Breakdown

- **StoryWall:** 15%
- **Tutorial Team Challenge:** 10%
- **Value Creation Pitch:** 25% (individual video, due Week 9 Monday 9am)
- **Final Exam:** 50%

Value Depends on Perspective

- **Investors** want returns.
- **Customers** want benefits.
- **Employees** want stability.
- **Society** wants sustainability.

Case Study: Daroo

Daroo is a kangaroo-product company (meat, leather, pet food), founded by Alex Baxter in 2010 in Dubbo, NSW. It is now listed and exporting internationally. Daroo is used as a running case study across the course.

The Business Problem: Comparing Money Across Time

How do we compare money received at different points in time? Daroo partnership example: \$10,000 today vs \$10,000 in 2 years — everyone picks today because money today can be invested. If Option B is instead \$12,000 in 2 years, the answer now depends on timing, the opportunity cost of money, and the risk/uncertainty of receiving it.

Time Value of Money (TVM)

A dollar today is not equal to a dollar in the future. We must bring cash flows to a common point in time before we can compare them.

Direction	Name	Process	Formula
Forward	Future Value (FV)	Compounding	$FV = PV \times (1+r)^n$
Backward	Present Value (PV)	Discounting	$PV = FV / (1+r)^n$

Where:

r = the period interest rate (also called the discount rate, cost of capital, or required return).

n = the number of periods.

Always assume compound interest unless told otherwise.

Worked Example

PV of \$12,000 in 2 years @ 10% = \$9,917.36. This is less than the \$10,000 available today, so the rational choice is to take the \$10,000 now.

Key Relationships to Remember

- A longer time period → a lower PV (holding r constant).
- A higher discount rate r → a lower PV (holding time constant).
- More uncertain / riskier cash flows warrant a higher discount rate, which produces a lower value today.

Investment Worked Example (Daroo)

Buy an asset for \$335 today, sell it for \$400 in 3 years, with an alternative return of 10% available elsewhere.

- **Forward approach:** FV of \$335 @ 10% for 3 years = \$445.89, which is greater than the \$400 sale price → don't buy.
- **Backward approach:** PV of the \$400 receipt = \$300.53, which is less than the \$335 cost → don't buy.

Both directions give the same decision, as long as the comparison happens at the same point in time.

Golden Rules of Time Value of Money

1. Only ever compare values at the same point in time.
2. Moving forward in time → compound, i.e. multiply by $(1+r)^n$.
3. Moving backward in time → discount, i.e. divide by $(1+r)^n$.

Never simply add cash flows that occur at different times without first adjusting them to a common point — e.g. \$10,000/year for 3 years is NOT the same as "\$30,000 in revenue."

— End of sample — full notes (Weeks 1–10) available on request —