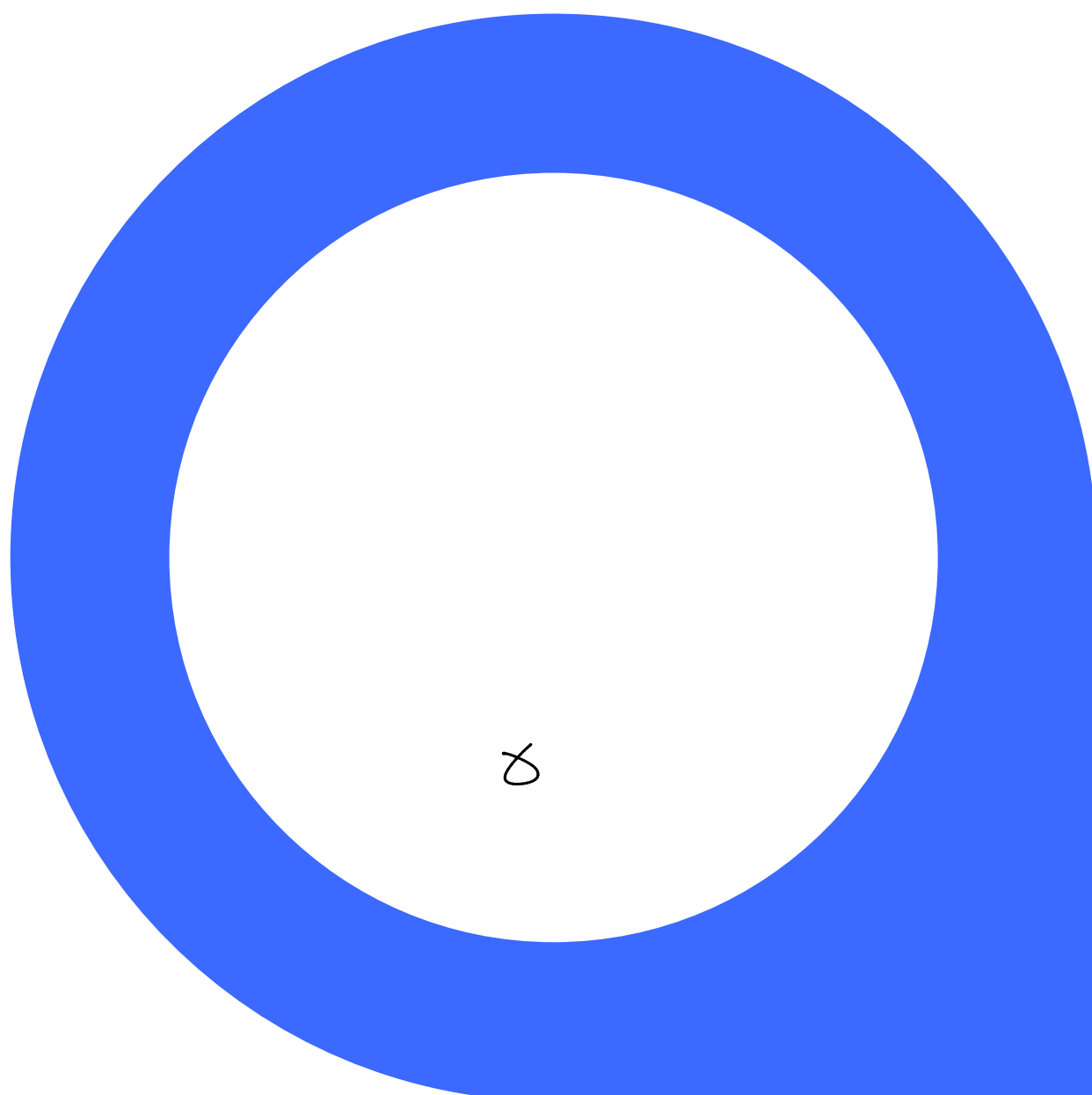


# Investment

## Assignment Semester 2 2024 Marking Rubric





Q	Weight	Significantly above pass level	Above pass level	Pass level	Below pass level	Significantly below pass level
		5	4	3	2	1
1 Justify	8%	Sets out several reasons that clearly support the selection of cash flow to be valued and addresses key points  Discussion easy to follow.  Explains why the alternative is not preferred.  Clear understanding of how DCF models structured	Sets out reasons that clearly support the selection of the cash flow to be valued and addresses key points  Clear understanding of how DCF models structured	Sets out reasons for the selection made  May not cover all the key points  Shows understanding of how DCF models structured	Some reasons to justify the selection made but contradictory or confusing discussion  or  Shows some misunderstanding of how DCF models are structured.	Fails to justify the selection made  or  A serious misunderstanding of how DCF models are structured
2 Describe	8%	Selects two significant and relevant aspects for each company  Detailed description of how each aspect will influence the choice of assumptions  And remarks showing differentiation of aspects and/or assumptions between the companies	Selects two relevant aspects for each company  Detailed description of how each aspect will influence the choice of assumptions	Selects two relevant aspects for each company  Adequately describes their influence on selection of assumptions  May lack clarity in a few points	Shows a misunderstanding of one or more of the aspects  Appears that some important assumptions will not be fully reflected in the model.	Shows a significant lack of knowledge or misunderstanding of the operations of FMG or RIO  Or  Influence on assumption selection is not addressed or incorrect
3 Describe	8%	Clearly describes the two most relevant issues in detail  Correctly describes their influence on the assumptions needed for a DCF model  Discusses any distinction between the two companies  Anticipates the risks of not incorporating these issues into the assumptions.	Clearly describes two relevant issues in detail  Describes their influence on the assumptions needed for a DCF model  Mentions any distinction between the two companies	Describes two relevant issues  Describes their influence on the assumptions needed for a DCF model  May lack detail or clarity in places.	Identifies one or two relevant issues but shows a lack of understanding of how qualitative issues can affect assumptions in a valuation model	Shows general lack of understanding of relevant issues



Q	Weight	Significantly above pass level	Above pass level	Pass level	Below pass level	Significantly below pass level
		5	4	3	2	1
4 Explain	12%	Clearly explains all of the assumptions that affect the cash flows with supporting information for each assumption.  Full explanation of the projection period  Addresses the terminal growth rate for each cash flow  Explains the relative importance of each assumption	Explains most of the assumptions that are required relating to the cash flow with supporting information provided for each assumption.  Some explanation of the projection period  Mentions the terminal growth rate  Mentions the relative importance of each assumption	Explains several assumptions relating to the cash flow with some supporting information  Brief explanation of the projection period  May lack detail or clarity in some places or lack sufficient supporting information for some assumptions	Incomplete explanation of the cash flow that is being valued  Or  Insufficient supporting information provided for some of the assumptions  Or  Incomplete explanation of the projection period	Little or no supporting information provided for most of the assumptions  Or  Little or no explanation of the projection period
5 Explain	8%	Clearly explains derivation of discount rate for each company  and the derivation of the terminal discount rate  Logical and consistent  Explains the differences in derivation or result between the two companies	Clearly explains derivation of discount rate for each company  and the derivation of the terminal discount rate  Logical and consistent  Both companies covered in detail	Explains derivation of discount rate for each company  and derivation of the terminal discount rate  May lack logic or clarity in some places  May cover one company in more detail than the other	Explanation is weak, lacking details  or  Only one company covered  Or  Terminal discount rate not mentioned	Shows a material misunderstanding of how to derive the discount rate used in the valuation
6 Explain	12%	Clearly explained how the cash flows are derived from all of the information reports provided, and other sources for both FMG and RIO.  Clearly explained the relationship between	Explained how the cash flows derived using almost all of the information reports provided and the parameters that were estimated, with logical and reasonable steps	Explained how cash flows derived from the information provided Explained a few parameters that were estimated.  Described the relationship	Used only some of the information provided  Cashflow derivation only partially explained as a result	Candidate has used little or none of the information provided  or  Values assigned to parameters are not

8



Q	Weight	Significantly above pass level	Above pass level	Pass level	Below pass level	Significantly below pass level
		5	4	3	2	1
		information used and the line items in the DCF model. Explanation easy to understand.	Explained the relationship between information used and the line items in the DCF model. Used some other sources of information appropriately.	between information used and the line items in the DCF model, but not clearly. Did not use other sources of information	Explanation of one or more parameters is incomplete or incorrect	reasonable or are not explained.
7 Explain	8%	Clearly explained how they have allowed for uncertainty of cash flows and how this has affected the valuation  Some comments relevant to each company  Included results from analysis using model to demonstrate impact of uncertainty and/or variation in cashflows	Clearly explained how they have allowed for uncertainty of cash flows and how this has affected the valuation  Some comments relevant to each company  Some comments on impact on results if variation in cashflows	Explained how they have allowed for uncertainty of cash flows and how this has affected the valuation  May lack logic or clarity in some places  May not distinguish the two companies	Discussed several points regarding dealing with uncertainty in valuations but not clear what specific allowance they have made in this scenario	Generic points only and/or shows little understanding of how to deal with uncertainty in a DCF model.
8 Prepare	12%	Clear, logical and suitable deterministic valuation in Excel  Included either a scenario or sensitivity analysis  Showed some of the variations made in the assumptions and the effect on the valuation  Clear and complete documentation of model and testing results, very easy for user to navigate	A suitable deterministic valuation in Excel  Included either a scenario or sensitivity analysis  Showed some of the variations made in the assumptions and the effect on the valuation  Documentation of model and testing results included, may have room to improve  Model laid out ready for another user	A mostly suitable deterministic valuation in Excel  Included either a scenario or sensitivity analysis  Showed some of the variations made in the assumptions and the effect on the valuation  Documentation of model included but may lack clarity or completeness or definition of terms	Deterministic valuation in excel however very difficult to follow  Or  No scenario or sensitivity analysis provided  Or  No documentation included	Deterministic valuation in excel however very difficult to follow  and  No scenario or sensitivity analysis provided  and  No documentation included



Q	Weight	Significantly above pass level	Above pass level	Pass level	Below pass level	Significantly below pass level
		5	4	3	2	1
9 Describe	6%	Clearly and completely described the sensitivity to changes in the discount rate for each company.  Incorporates details of model results and all notable points.	Clearly described the sensitivity to changes in the discount rate for each company  Includes model results  Covered all notable points	Described the sensitivity to changes in the discount rate for each company  Apparent that the model was used to generate results  May not have covered all notable points	Poor description of the sensitivity to changes in the discount rate  But does indicate use of model	Generic points on sensitivities only
10 Propose	8%	All 8 figures requested were provided with associated reasoning all of them  Reasoning was sensible and clearly supported the proposed prices/weights  Reasoning and figures demonstrated to be consistent with modelling results  Some discussion of alternative views on the prices/weights with reasoning why not to apply	All 8 figures requested were provided with associated reasoning for at least 6 of them  Reasoning generally supported the proposed prices/weights  Reasoning and figures consistent with modelling results  Some arguments may be inconsistent with final recommendation	At least 6 of the 8 requested figures provided with associated reasoning  Reasoning and figures generally consistent with modelling results  Some reasons may not be clear or may not clearly support the proposed prices/weights	Less than 6 figures provided with reasons  or  A material misunderstanding of how to evaluate one of (a) a maximum price to buy, (b) a minimum price to sell, or (c) the weighting relative to the ASX 200 weight	Figures provided are clearly inappropriate  or  No reasoning provided  or  A material misunderstanding of how to evaluate all of (a) a maximum price to buy, (b) a minimum price to sell, or (c) the weighting relative to the ASX 200 weight
Report writing	10%	Business report format and clear, concise language suitable for the portfolio managers  An introduction summarises the scope of work and information provided  The body of the report clearly addresses outcomes	Business report format and language suitable for the portfolio managers  Includes an introduction and a response to each question  Very few spelling and/or grammatical errors. No formatting issues.	Business report format and mostly business like language  Orderly flow follows assignment questions  Might benefit from headings/labels to improve structure	Paragraphs but not business format  Not an orderly flow but most questions are addressed  Frequent spelling, grammatical or formatting errors	No apparent structure  Language is frequently inappropriate  Many sentences are incomplete and/or many spelling errors



Q	Weight	Significantly above pass level	Above pass level	Pass level	Below pass level	Significantly below pass level
		5	4	3	2	1
		of the analysis, and responds to all questions Very few spelling and/or grammatical errors. No formatting issues		A few spelling and/or grammatical and/or formatting errors		
Total	100%					

**Students are advised that a mark of zero (0) will be allocated for any question (or sub-question) where there is no attempt made or the marker finds the attempt is completely unsatisfactory.**