

Report on Bachelor/Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Petra Kolouchova
Advisor:	Jiri Novak, Ph.D.
Title of the thesis:	When Two Do the Same, It Is Not the Same: Cost of Equity Estimation Techniques Used by Valuation

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

This Master's Thesis analyzes the use of valuation models for the evaluation of the cost of equity by Czech appraisers. It provides an overview of the alternative approaches, provides the motivation why the choice is relevant in business practice, surveys existing literature and performs an independent analysis based on a data sample from the Register of Czech valuation experts. The results indicate that CAPM is most frequently used followed by the heuristic models.

I think the Thesis meets well all the criteria for a research paper. First, it analyzes a topic that is interesting both from theoretical and practical viewpoint. Substantial literature exists on the topic and the author reviews it well and builds on it with her own approach. Second, despite of the abundance of existing research the author is able to find an interesting viewpoint that distinguishes the Thesis from previous studies and make a clear non-trivial contribution, i.e. she uses a unique data set that provide opportunities for more systematic data collection in comparison to conventional survey based methodology. Third, extensive effort has been made to hand collect the data, which substantiates the value of the work. Fourth, the Thesis is well organized, with clear motivation, rooting on existing theory, and review of existing empirical research. Hypotheses are clearly spelled out and the results are related to them.

I believe, the Thesis would benefit from better focus, narrowing down the aim and limiting the extent (this may be the primary objective when transforming the Thesis to research paper(s) during the author's Ph.D. studies). The hypotheses are only somewhat related to one another and it is not quite clear if the aim is to analyze the cost of equity as such (H1) or the use of the models used to estimate it (H2-H4). I would also prefer a more conservative title.

Overall, the Thesis has a clear research ambition to make a unique contribution addressing an interesting issue, which is rather exceptional at the Master's Thesis level. In addition, the author is able to transform this ambition to a thoroughly performed and well structured study, which must have involved a rather extensive and creative work. My objections are minor and therefore I recommend the highest grade for the Thesis and I also recommend it for the Dean's Award (pochvala dekana).

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	24
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	88
GRADE (1 - 2 - 3 - 4)	1

NAME OF THE REFEREE: Jiri Novak

DATE OF EVALUATION: September 4, 2009

Referee Signature