

Report on Bachelor / Master Thesis

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

Student:	Jakub Chyba
Advisor:	Prof.Ing.Michal Mejstřík, CSc.
Title of the thesis:	Impact of Capital Structure and Its Changes on the Value of Companies Obtained Through the Discounted Cash Flow Formula

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

Jakub Chyba decided to address the long-lasting research field with clear practical task: to investigate the impact of capital structure (through WACC) and its changes on the values of companies obtained through the widely used discounted Cash flow formula. In fact, both in valuation theory and practice certain time inconsistencies still survive that are mostly overlooked. While the base are discounted future cash flows within asset business plan, discounting itself is using current market-based values instead of target market values in Weighted Average Cost of Capital (page 12). Of course, forecasting of future costs of equity (and target weights) within the class of assets with similar risks generates another uncertainty but should match the time profile of business plan of a given asset.

The author approached the task based upon existing literature from different angles. Unfortunately, some adopted more sophisticated approaches have not generated acceptable results. As a result, he has limited his presented conclusions to rather simplified simulation of artificial cases and their benchmarking that supported his hypotheses.

Methods

As mentioned above, some adopted more sophisticated approaches have not generated acceptable results. As a result, the author limited his presented conclusions to rather simplified simulation of artificial cases and their benchmarking that supported his hypotheses.

Literature

The author had reconsidered both older and recent literature that were stepwise supplemented at the request of advisor.

Manuscript form

It is adequately structured, with proper citations and written in somewhat cumbersome way.

Summary and suggested questions for the discussion during the defense

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The author is practical oriented student with wide knowledge of factors influencing investment and valuation that he proved within the course of financial management when he served as a guru to many of his fellows. He is highly selfcritical and due to his still limited econometrical abilities it is difficult for him to reach fully his ambitious goals. At the same time, in contrast to many other practitioners, he has been able to identify and consider important weaknesses in WACC adoption. I would require from the author during defence to explain why this feature of valuation has been rather neglected so far.

In my view, in spite of above comments, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade D.

The results of the Urkund analysis do not indicate significant text similarity with other available sources

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	23
<i>Methods</i> (max. 30 points)	12
<i>Literature</i> (max. 20 points)	19
<i>Manuscript Form</i> (max. 20 points)	15
TOTAL POINTS (max. 100 points)	69
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: *prof. Michal Mejstrik*

DATE OF EVALUATION: 25.8.2020

*Digitally signed 30.8.2020
Michal Mejstrik*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F