REFEREE'S REVIEW

Program:	Master in corporate finance
Student:	Aleksandr Vlasiuk
Title of thesis:	The choice of fundamental valuation model for Russian public companies: influence of different accounting standards.

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.		4		
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.		4		
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.		4		
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.			3	
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.			3	
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.		4		
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.			3	

Each item above is evaluated on the following scale, as applicable: 5 = the thesis meets all the requirements, 4 = the thesis meets almost all the requirements, 3 = a lot of the requirements are not met in the thesis, 2 = the thesis does not meet the requirements.

Additional comments:

The paper topic is up-to-date. Unless the different accounting standards exist the question of perfect-fit valuation model cannot be solved at least because of too many inputs. The topic choice is justified by the author. The research objectives and the hypotheses are aligned with the topic. However while the topic tells about possible influence of the accounting standard on the valuation model choice the hypotheses are stated in a way there is no difference between the two standards.

The thesis is structured in a logical way. Nonetheless the paragraph 3.1 "Regression coefficients" seems to be unclear. Firstly the name of the paragraph does not fit to the content as the author reviews the built models reliability by analyzing the R^2 and F-test, although the models itself, the regression coefficients and their analysis were not presented in the paper. Secondly there were no conclusions or summary of any of the table (№№ 6-9) presented in the paragraph except for the generalizations as "notice", "visually", "see". The only conclusion which can be done based on the data presented is that the models might be statistically significant. Therefore the content of the paragraph does not improve the thesis and lacks the information stated in its title.

The objectives were fully covered by the author. The author succeeded in the hypotheses testing. However the second hypotheses could be tested without the fist one and the results would not be changed.

The sample used for the research is too small and its length as well as the companies' choice process and business sector distribution provided in Table 3 brings to the conclusion that the author used the same sample as in the (Garanina, Kormiltseva, 2014). While Garanina and Kormiltseva used the data for 2006-2009 the author enlarges the time period for the analysis so the list of companies might be larger assuming that more companies adopted IFRS in 2010-2016. Moreover as the dataset is unbalanced panel the subsamples for each year accounts from 41 to 59 observations that makes the statistical significance of the results even less. In the end the thesis reveals none information if the sample was tested for outliers. It would be interesting to see the analysis of sample descriptive statistics in terms of how much the IFRS and RAS net income and book value differ on average. This could be a more simple start for the research if no high discrepancy is found.

The author tests the predictive power of the model by calculating the mean absolute percentage error, however, there are no tests of equality of the two subsamples (predicted and actual capitalization\ stock price) in terms of mean, variance, distribution etc. The author could pay more attention to the statistical error and reliability of the regression results. The 99% - R^2 obtained for the regressions and presented in the tables 6-9 seems to be unreliable, however, there is no information if zero-intercept models were used for modelling.

The scientific aspect of the thesis is hard to valuate as the author does not use any sophisticated tools for hypotheses testing or elaborates existing valuation model to increase its accuracy for specific reporting standard.

The extent to which the valuation models are reviewed in the theoretical background is much higher than it is needed for the practical part of the thesis. On the other hand it justifies the choice of the models to compare. The practical approach of the research is presented by the author in the conclusion. If IFRS reporting does not bring any value to the company's valuation there is no need to wait for the reports. The speed of the decision making sometimes is crucial.

The layout of the thesis has some flaws:
Firstly, the author did not pay much attention to the hypothesis formulation as the misprints were met twice:
"Based on these results we can form the first hypothesis that <u>IFRS adoption doesn't IFRS financial statements does not</u> increase accurateness of fundamental valuation models." (p.19)
"H_1: IFRS financial statements <u>does not</u> <u>does not</u> decrease discrepancies between fundamental and market values". (p.20)
Secondly, it is difficult to read the paper as there are no references to the model name in the tables (tables 6-9), sometimes the table name conflicts with the content (table 15) or just incorrect (title of table 13 declares it is devoted to residual earning models while model 2 and model 4 according to table 1 are price regression models). The typos in the text and the different sorting of years (from 2006 to 216 and vice versa) in tables 6-9 and 10-15 also complicates the understanding of the paper.

Master thesis of Aleksandr Vlasiuk meets the requirements of the Master in Corporate Finance program, and according to the reviewer's opinion deserves a "*<u>good (D)</u>*" grade, thus the author can be given the desired degree.

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Referee: *Master in corporate finance, Ekaterina Vorobeva*