



APPLIES TO ACADEMIC YEAR
2002/2003

GRA 6538 Applied Valuation

Program

Advanced Specialization Course (MSc), Master of Science in Business Administration (MScBA), Master of Science (Financial Economics)

Responsible for the course

Bruno Gerard

Department

Financial Economics

Term

Spring

ECTS Credits

6

Objective

Improve the student's ability to carry out real-world valuations of a project, of a firm and/or of its component securities. The practical applicability of the classic valuation models will be explored, including the potential for generating a firm's free cash flow from financial statements, and for quantifying competitive advantage and corporate governance costs. While financial assets will not be neglected, particular emphasis is put on corporate valuations in the context of mergers and acquisitions and on the valuation of long-lived non-financial assets, such as production plants, petroleum fields, and start-up biotech firms

Prerequisites

Theory of Finance

Compulsory literature

Benninga, Simon Z. and Oded H. Sarig. 1997. *Corporate finance. A valuation approach*. New York: McGraw-Hill.
Damodaran, Aswath. 2002. *Investment valuation: Tools and techniques for determining the value of any asset*. 2nd ed. New York: Wiley.

Recommended literature

Copeland, Thomas E., Tim Koller and Jack Murrin. 2000. *Valuation: Measuring and managing the value of companies*. 3rd ed. New York: Wiley. Or:
Boquist, John A., Milbourn, Todd T. and Anjan V. Thakor. 2000. *The value sphere: Secrets of creating and retaining shareholder wealth*. Bloomington, IN.: VIA Press.

Course outline

The course is organized as follows

- Brief review and extension of building blocks from other finance courses
- Constructing a financial model of the firm and pro-forma financial statements
- Exploring the firm's past performance and future competitive environment
- The cost of capital under modern capital structure theories
- Estimating residual value
- The multiplier approach to valuation
- Valuing equity, debt and executive stock options
- Valuation for corporate acquisitions and divestitures.
- Project valuation and real options.

Computer-based tools

Extensive use of Excel spreadsheets for case solution

Course structure

Lectures and case discussions

Evaluation

50% case write ups and presentations. 50% exam.

Evaluation code(s)

GRA65381 case write ups and presentations 50%

GRA65382 exam 50% (2 hours)

Aids at the examination

Calculator

Makeup exam

At the next ordinary exam