APPLIES TO ACADEMIC YEAR 2005/2006

GRA 6538 Applied Valuation

Program
Master of Business and Economics Program, Master of Science in Business, Master of Science in Business and Economics, Master of Science in Business (Finance), Master of Science in Management, Specialization Course, Master of Science (Financial Economics)

Responsible for the course
Bruno Gerard

Department
Financial Economics

Term
According to study plan

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
GRA 6540 Applied Finance, GRA 6533 Theory of Finance or equivalent.

Compulsory literature
Books:
Benninga, Simon Z. and Oded H. Sarig. 1997. Corporate finance. A valuation approach. New York: McGraw-Hill.

Recommended literature
Books:
Boquist, John A., Milbourn, Todd T. and Anjan V. Thakor. 2000. The value sphere: Secrets of creating and retaining shareholder wealth. Bloomingtin, IN.: VIA Press. Students are required to read and work with one of the three recommended books. The choice of the book is left to the student
Copeland, Thomas E., Tim Koller and Jack Murrin. 2000. Valuation: Measuring and managing the value of companies. 3rd ed. New York: Wiley.. Students are required to read and work with one of the three recommended books. The choice of the book is left to the student

Damodaran, Aswath. 2002. Investment valuation: Tools and techniques for determining the value of any asset. 2nd ed. New York: Wiley. Students are required to read and work with one of the three recommended books. The choice of the book is left to the student

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, Blackboard/homepage

Course structure
Lectures and case discussions, 36 hours

Evaluation
Your course grade will be based on the following activities and weights:
60% Class work (in the form of a mix of some/ all of the following: hand in of case write ups, projects, and homeworks; case presentations and discussions as well as class participation).
40% exam (two hours)

Since the major fraction of the course grade is based on class work and in particular on class participation and case presentations and discussions, class attendance is mandatory. More than 1 unexused absence will result in a lower score. More than three unexcused absences will result in a failing grade. Please check Blackboard before the start of the course to get the schedule. The course starts immediately at the beginning of the semester.

Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.

Evaluation code(s)
GRA65383 class work and exam accounts for 100 % of the final grade in the course GRA 6538.

Aids at the examination
Financial Calculator. Bilingual dictionary.

Makeup exam
Re-takes are only possible at the next time a course will be held. When course evaluation consists of class participation or process elements, the whole course must me re-evaluated when a student wants to retake a exam. Retake examinations entail an extra examination fee.