



APPLIES TO ACADEMIC YEAR 2006/2007

## GRA 6538 Applied Valuation

### Program

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

### 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 or 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

#### Other:

Students are required to read and work with one of the two recommended books. The choice of the book is left to the student

### Recommended literature

#### Books:

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

Koller, Tim, Marc Goedhart and David Wessels. 2006. Valuation : measuring and managing the value of companies. 4th ed. Hoboken, N.J. : Wiley.

### 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). Both parts of the evaluation need to be passed in order to get a grade in the course.

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 unexcused 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**

Advanced 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 be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

**Honor Code**

Academic honesty and trust are important to all of us as individuals, and they are encouraged and promoted by the honor system. This is a most significant university tradition. The honor system is the responsibility of students. As faculty, we share the commitment to the ideals of the honor system.

At no time should notes or papers or personal consultations based on previous semesters of this course be used. As part of the honor code papers handed in as part of the course is, at the discretion of the professor, scanned for plagiarism. We are using Safe Assignment in Black Board for this purpose. Any violation of the honor code will be dealt with in accordance with BI's procedures on cheating. These issues are a serious matter to everyone associated with the program. They are at the heart of the Honor Code and academy integrity. If you have any questions about your responsibilities under the honor code, please ask.