



APPLIES TO ACADEMIC YEAR 2009/2010

GRA 6538 Applied Valuation

Programme

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

Responsible for the course

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

Learning outcome

The central objective of this course is to establish a framework that puts you in a position to make managerial decisions based on an understanding of corporate value creation, corporate value destruction, and on how to enhance the former while avoiding the latter. Case discussions and visitors will be used to illustrate how corporate valuation is related to managerial decision making.

The course builds on the valuation concepts and skills developed in the core Theory of Finance course (GRA6533, from fall 2008 GRA 6534 Introduction to Financial Economics). We will revisit all the valuation techniques that you were exposed to in the core course and introduce some new techniques. The emphasis will be to establish a good understanding of when one valuation technique works better than another.

To accomplish this, we will examine corporate valuation in a variety of settings: Initial Public Offerings, large investment projects, mergers and acquisitions, emerging markets, and private equity. The main insights will emerge from the process of making and defending your decisions based on the corporate valuations you will be doing throughout the course.

At the end of the course you should be able to:

- See the relationships between value estimates, bidding strategies, and market values.
- Master the following valuation approaches: Enterprise Discounted Cash Flow (DCF), Adjusted Present Value, Equity DCF, traded- and transaction multiples.
- Understand when and why a particular valuation approach may be better than other in a particular situation.
- Structure an investment using project financing.
- Analyze historical performance and understand the importance of value drivers.
- Understand why Economic Value analysis (such as EVA) is a useful management/consulting tool.

Prerequisites

GRA 6540 Applied Finance or GRA 6543 Introduction to Financial Economics/GRA 6533 Theory of Finance, or equivalent.

Compulsory reading

Books:

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

Koller, Tim, Marc Goedhart, David Wessels. 2005. Valuation : measuring and managing the value of companies. 4th ed. Hoboken, N.J. : Wiley

Collection of articles:

A set of six business cases. The cases will be available online at the beginning of the course.

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

A list of compulsory readings will be provided on Blackboard or in class.

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

Recommended reading

Books:

Damodaran, Aswath. 2002. Investment valuation : tools and techniques for determining the value of any asset. 2nd ed. New York : Wiley

Course outline

- Introduction to corporate valuation. Four lectures on Discounted Cash Flows, cost of capital and Multiples valuation.

- Six classes using business cases. The cases are used to explore issues related to corporate valuation in settings that includes Initial Public Offerings, large investment projects, mergers and acquisitions, and Leveraged Buyouts/Management Buyouts.

- Two classes with visiting speakers from the private equity industry and a major consulting firm.

Computer-based tools

Extensive use of Excel spreadsheets for case solution, Blackboard/homepage

Learning process and workload

Lectures and case discussions, 36 hours

In this course class attendance is mandatory. Unexcused absence can result in a lower score. Specific Information regarding student evaluation will be provided in class.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book.

Examination

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; in-class mid-term; 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.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

Exam code(s)

GRA65383 class work and exam accounts for 100% of the final grade in the course GRA 6538.

Examination support materials

A bilingual dictionary and BI-approved exam calculator.

Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary.

<http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee

Additional information

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These

issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.