APPLIES TO ACADEMIC YEAR 2011/2012

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
Øyvind Norli

Department
Department of Financial Economics

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
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.

Learning outcome
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 ransaction 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:
Koller, Tim, Marc Goedhart, David Wessels. 2010. Valuation : measuring and managing the value of companies. 5th ed. Wiley

Collection of articles:
The required readings include a course packet with business cases and articles. The course packet will be available online at the beginning of the course.

Recommended reading

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, It's learning/homepage

Learning process and workload
A course of 6 ECTS credits corresponds to a workload of 160-180 hours.
Lectures and case discussions.

Please note that it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination
Your course grade will be based on the following activities and weights:
Class participation - 20%
Four case write-ups: Take-home exam - 20%
Midterm: Written exam. 1 hour - 20%.
Final Exam. Written exam. 2 hours - 40%

In this course class attendence is mandatory. Unexcused absence can result in a lower score. 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 termpapers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination 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
It is only possible to retake an examination when the course is next taught.
The assessment in some courses is based on more than one exam code.
Where this is the case, you may retake only the assessed components of one of these exam codes.
Where this is not the case, all of the assessed components of the course must be retaken.
All retaken examinations will incur an additional 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.