



APPLIES TO ACADEMIC YEAR 2016/2017

## GRA 6538 Applied Valuation

### Programme

Master of Science in Business, Master of Science in Business (Finance), Master of Science in Finance, Specialization Course

### Responsible for the course

Janis Berzins

### Department

Department of Finance

### 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.

Throughout the course we discuss the following list of classical finance issues and put them in perspective of valuation framework:

- Time Value of Money
- Simulation Analysis
- Analysis of Principal Financial Statements
- Analysis of Taxes
- Analysis of Off-Balance-Sheet Assets and Liabilities
- Analysis of Business Combinations
- Ratio and Financial Analysis
- Analysis of Inventories and Long-Lived Assets
- Analysis of Debt
- Analysis of Inter-Corporate Investments
- Financial Reporting System
- Capital Investment Decisions
- Working Capital Management
- Mergers and Acquisitions and Corporate Restructuring
- Corporate Governance
- Private Equity/Venture Capital Valuation

### Prerequisites

GRA 6540 Applied Finance or equivalent  
GRA 6543 Introduction to Asset Pricing or equivalent

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have specific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

### **Compulsory reading**

#### **Books:**

Koller, Tim, Marc Goedhart, David Wessels. 2015. Valuation: Measuring and managing the value of companies. 6th 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**

Not applicable

#### **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**

The course grade will be based on the following activities and weights:

Class participation - 20%

Four case write-ups: Take-home exam - 20% (groups of 4-5 students)

Mid-term: Written exam. 1 hour - 20%.

Final exam. Written exam. 2 hours - 40%

Form of assessment	Weight	Group size
Class participation	20%	Individual
Take home examination	20%	
Written examination 1 hour	20%	Individual
Written examination 2 hours	40%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi. Candidates may be called in for an oral hearing as a verification/control of written assignments.

#### **Examination code(s)**

GRA 65383 continuous assessment accounts for 100% of the final grade in the course GRA 6538.

#### **Examination support materials**

BI approved exam calculator

Bilingual dictionary

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

**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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

**Additional information**

Honour code. Academic honesty and trust are important to all of us as individuals, and are values that are integral to BI's honour code system. Students are responsible for familiarising themselves with the honour code system, to which the faculty is deeply committed. Any violation of the honour code will be dealt with in accordance with BI's procedures for academic misconduct. Issues of academic integrity are taken seriously by everyone associated with the programmes at BI and are at the heart of the honour code. If you have any questions about your responsibilities under the honour code, please ask. The learning platform itslearning is used in the teaching of all courses at BI. All students are expected to make use of itslearning.