Advanced Valuation and Corporate Financial Analysis  
(FINC 418-01)  
College of Charleston  
Course Syllabus  
Fall-2019

Instructor: Weishen Wang, Ph.D., CFA  
Office: Beatty Center 404  
Phone: (843) 953-0887 (office)  
E-mail: wangw@cofc.edu  
Class Time/Classroom: TR 09:25 AM-10:40 AM/ TCFE 130  
Office Hours: TR 08:40 AM-09:10 AM, 01:00 PM-3:00 PM, or by appointment

Course Description
This course serves as a synthesis of material taught in previous courses for finance majors. The material that was drawn from and built upon includes topics covered in the areas of investments, institutions, and corporate finance. The tool used to integrate these areas of study is advanced valuation methodology for estimating intrinsic value of firm assets and equity, which necessitates an understanding of the three major areas of finance.

SB Learning Goals Addressed

- **Goal 1:** COMMUNICATION SKILLS: help students further advance knowledge on corporate valuation, prepare students to communicate with financial professionals on more advanced subjects, to communicate with clients in simple, easy to understand language.

- **Goal 2:** QUANTITATIVE FLUENCY: help students learn to do difficult math in the world of Finance, be able to conduct quantitative analysis for large investment projects for a firm using spreadsheet or other commercial software.

- **Goal 3:** SYNTHESIS: Help students comprehensively review and strengthen knowledge on multiple sub-areas of finance, be able to apply financial knowledge to real life situations.

➢ The SB learning goals are:

**COMMUNICATION SKILLS:** Students will demonstrate the ability, via both written and spoken word, to effectively present, critique, and defend ideas in a cogent, persuasive manner.

**QUANTITATIVE FLUENCY:** Students will demonstrate competency in logical reasoning and data analysis skills.

**GLOBAL AND CIVIC RESPONSIBILITY:** Students will be able to identify and define social, ethical, environmental and economic challenges at local, national and
international levels. Students will also be able to integrate knowledge and skills in addressing these issues.

**INTELLECTUAL INNOVATION AND CREATIVITY:** Students will be able to demonstrate their resourcefulness and originality in addressing extemporaneous problems.

**SYNTHESIS:** Students will demonstrate the ability to integrate knowledge from multiple disciplines incorporating learning from both classroom and non-classroom settings in the completion of complex and comprehensive tasks.

**Student Learning Objectives**

Through the semester, students are expected to further advance their *communication skills*, *problem solving and decision making* capacity regarding financial issues. Students are also expected to build the *managerial knowledge* basing on financial metrics. Additionally, the study will also help students build *skills for lifelong learning* on their own.

For specific learning objectives, after successfully finishing the course, students should be able to understand or undertake the followings:

- Corporate strategy
- The changing roles of CFOs in formation of corporate strategy
- Financial accounting and accounting reporting
- Estimate the cost of capital. Ways to raising capital for business
- Advanced capital budgeting
- Valuation of enterprises, valuation in private equity setting
- Manage foreign exchange risk for multinational firms

**Professor’s Expectations for Students**

- Spend 3 hours per week outside the classroom, reading assigned materials, completing the group case or homework, and/or preparing for the exams. It never can be an excuse that you have to spend more hours on other classes and as a result, you do not have time for this one.
- Ask the professor to clarify when there is anything you think the professor does not make it clear.
- Visit the professor’s office for help. I come to my office almost every day during a week and stay in my office most of the time, except teaching, meeting, or other engagements. Feel free to stop by whenever you have questions.
- Get the textbook, read the chapters, and do the homework.
- Bring up the issues as soon as you see them. Give the professor timely feedback. Tell the professor if there is any way we can make teaching more effective and fun!

**Prerequisites**
Senior standing: FINC 303, FINC 315

**Required Text Book**


*Each group, if not each student, must have at least one copy of the textbook. The department has purchased the Oracle Crystal Ball software and has it installed on the computers located in the lobby next to Tate 315.*

**Reference Books or Helpful Tools**

*The CEO, Strategy, and Shareholder Value: Making the Choices that Maximize Company Performance*, Peter Kontes, Wiley. (Our library has unlimited access to the E-book.)


*Financial Statement Analysis*, CFA program curriculum, Volume 3, Level 1, 2008

**Microsoft Excel reference books**: A lot of analysis work in this course requires the use of spreadsheets. Therefore, students should familiarize themselves with Excel applications. It is always a good idea to have some reference books during the semester. It is helpful to know how to use the ‘help’ function in the Excel.

**Financial calculator**: Although any financial calculator that can do time value of money (TVM) is good, I highly recommend using the Excel spreadsheet on a laptop. Students are allowed to use Excel for the exams, provided that they turn off the internet access.

**Student Responsibility**

There are a lot of materials to cover in the class. I expect every student to go over the chapters or other assigned readings before our class meets. As the instructor, I will spend the majority of the class time explaining the difficult part of the material. I will appreciate if students can let me know which part of material is difficult to understand.

**Attendance Policy**

Students are required to attend the class. I reserve the right to take attendance all the time. Students’ attendance record is part of his/her class performance.

Students are expected to arrive at the class on time. Students who have three or more absences will be withdrawn from the course for excessive absences. Students arriving late more than six times may also be withdrawn from the course. If a student is withdrawn for excessive absences or being late for class more than six times, a final grade of WF will be assigned.
An absence from class for any reason (job conflict, illness, appearance in court, transportation problems, travel, athletic event, etc.), even if permitted and/or excused by the instructor, will still count as one of the class absences.

**Grading Policy**

Grades will be based on the student’s performance on several components including group work, individual exams, and class performance. Each component has points and weights listed as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>Total Points</th>
<th>Actual Points Received</th>
<th>Weights</th>
<th>Contribution to overall grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)=(3)/(2)<em>100</em>(4)</td>
</tr>
<tr>
<td>Group Case/Home Work</td>
<td>100</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Individual Exam 1</td>
<td>100</td>
<td></td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Individual Exam 2</td>
<td>100</td>
<td></td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Final WSJ Case Write-Up and Presentation</td>
<td>100</td>
<td></td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>ETS Major Field Test</td>
<td>100</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Performance (include attendance)</td>
<td>100</td>
<td></td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Total Points</td>
<td>-</td>
<td>-</td>
<td>Sum of Above</td>
<td></td>
</tr>
</tbody>
</table>

Students’ total points earned for the class are determined by the weights above and the points that students actually received on each item. The final course grade will be in a letter based on the following conversion table:

<table>
<thead>
<tr>
<th>Total points</th>
<th>Letter grade</th>
<th>Total points</th>
<th>Letter grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-100</td>
<td>A</td>
<td>70-74</td>
<td>C</td>
</tr>
<tr>
<td>88-89</td>
<td>A-</td>
<td>68-69</td>
<td>C-</td>
</tr>
<tr>
<td>85-87</td>
<td>B+</td>
<td>65-67</td>
<td>D+</td>
</tr>
<tr>
<td>80-84</td>
<td>B</td>
<td>60-64</td>
<td>D</td>
</tr>
<tr>
<td>78-79</td>
<td>B-</td>
<td>58-59</td>
<td>D-</td>
</tr>
<tr>
<td>75-77</td>
<td>C+</td>
<td>57 and below</td>
<td>F</td>
</tr>
</tbody>
</table>

**Group Cases**: There are several group cases including a semester-long Wall Street Journal valuation case. These cases will access students’ qualitative & quantitative understanding of the materials. The students are expected to complete these assignments in group. Everyone in the group needs to contribute to the work, and each group needs to fill out the **Group Member Contribution Sheet**, which will be provided separately. No make-up will be granted for group case. If a student misses a group case, she/he needs to talk to her/his group members to get a
solution. Some of the cases requires the students to present the results in the class. If any students have difficulties on this aspect, please let me know as soon as possible.

**Homework:** Students are required to complete and turn-in the assigned homework on time. In normal circumstance, a late turn-in will not be accepted.

The students are encouraged to complete both the group case and homework in group. However, it is critical that each student should understand the work, be able to do it independently and correctly, or the chance is very high that the student will perform poorly on the individual exams.  
*This can lead to a F grade for the whole course!*

*The professor has the discretion to ask students to explain the group case or homework in the class.*

**Individual exams:** There are two in-class, individual exams. These exams usually take the whole class time. Make-up exams will be given *only* to those individuals who have both a legitimate excuse and a good attendance record. Since the absence memo from the ABSENCE MEMO OFFICE can come as either documented or undocumented, I, as the instructor, in order to achieve high quality teaching, have the sole right to make judgment whether an excuse is legitimate and whether a make-up should be granted. In case that a make-up opportunity is granted, the student should take the make-up within one week of the regular exam date. Otherwise, the opportunity will expire and the student will receive zero point on that specific exam missed.

**Final WSJ Case Write-Up and Presentation:** Students can choose a valuation project from the real life. It can be a potential M&A, IPO, or Private Equity deal to conduct the valuation for the target or IPO firm.  
*A guideline for this is appended at the end of the syllabus.*

**ETS Major Field Test:** it will be organized and administered by the School of Business. As finance majors, students are required to take the test and score well. I will receive student’s percentile score.  
*Your percentile score on this test will be proportionally converted into the points for this part. For instance, if you receive 80th percentile on the test, you will be receiving 8 points for this part.*

**Class performance:** Students are expected to go over chapters and finish assigned material like homework before each class, pin down the places difficult to understand, ask questions, and actively take part in the class discussions. Attending the class is part of class performance.

**College of Charleston Honor Code and Academic Integrity**

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.
Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XXF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the XX to be expunged. The F is permanent. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration—working together without permission—is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the Student Handbook at http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php
Disability Statements

1. Any student eligible for and needing accommodations because of a disability is requested to speak with the professor during the first two weeks of class or as soon as the student has been approved for services so that reasonable accommodations can be arranged.

2. The College will make reasonable accommodations for persons with documented disabilities. Students should apply for services at the Center for Disability Services/SNAP located on the first floor of the Lightsey Center, Suite 104. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before accommodation is needed.

3. This College abides by Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. If you have a documented disability that may have some impact on your work in this class and for which you may require accommodations, please see an administrator at the Center of Disability Services/SNAP, (843) 953-1431 or me so that such accommodation may be arranged.

Other items

1. For other matters not specified in this syllabus, we comply with the common policy of the College.

2. Please note the following new changes from the College:

   Final Exams and Major Tests during the Last Week of Classes

   No major test or final examination may be given during the last week of classes (seven days prior to the designated last day of classes). A major test is defined as an examination worth 20% or more of the final course grade. No test, exam, or other assignment of any weight may be given on or due on Reading Day. Other assignments, such as semester-long projects, quizzes, homework and papers may be due during the last week of classes or during the regularly scheduled final exam period.

   This policy does not apply to final laboratory examinations, oral examinations, portfolio or exhibition critiques, individual or group in-class presentations, performance courses, activity classes, bachelor’s essays, tutorials, and/or independent study projects. In exceptional circumstances, the Provost (or Provost’s designee) may waive these restrictions.
# Schedule of Class

(subject to adjustments as we proceed.)

All handouts are available in OAKs. Please print them out and read before the class.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Chapters (Brunner et al.); Supplemental reading &amp; Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/20</td>
<td>Module 1 Corporate strategy, its formulation, the roles of CFOs</td>
<td>Syllabus, Crafting and Executing Strategy (Handout, E-book)</td>
</tr>
<tr>
<td>8/22</td>
<td>The DNA of the CFO: a study of what makes a chief financial officer (Handout)</td>
<td></td>
</tr>
<tr>
<td>8/27</td>
<td>CFA curriculum: Readings 29 (Handout) <em>(Last day to drop the class!)</em></td>
<td></td>
</tr>
<tr>
<td>8/29</td>
<td>CFA curriculum: Readings 30 (Handout)</td>
<td></td>
</tr>
<tr>
<td>9/03</td>
<td>CFA curriculum: Readings 31 (Handout)</td>
<td></td>
</tr>
<tr>
<td>9/05</td>
<td>Catch up time</td>
<td></td>
</tr>
<tr>
<td>9/10</td>
<td>Corporate financial Planning, Pro Forma Financial Statement</td>
<td></td>
</tr>
<tr>
<td>9/12</td>
<td>Pro Forma FS practice; Valuation project selection, industry/sector analysis</td>
<td></td>
</tr>
<tr>
<td>9/17</td>
<td>Chapter 7, discussion on exam 1</td>
<td></td>
</tr>
<tr>
<td>9/19</td>
<td>Individual Exam 1 (30%); Group selects a WSJ valuation case, either M&amp;A or IPO or private equity investment deal. Group starts working on the WSJ case-projecting cash flows.</td>
<td></td>
</tr>
<tr>
<td>9/24</td>
<td>Chapter 2</td>
<td></td>
</tr>
<tr>
<td>10/01</td>
<td>Problem solving for chapter 2</td>
<td></td>
</tr>
<tr>
<td>10/03</td>
<td>Chapter 3 Introduction to Simulation analysis and Crystal Ball</td>
<td></td>
</tr>
<tr>
<td>10/08</td>
<td>Problem solving for chapter 3</td>
<td></td>
</tr>
<tr>
<td>10/10</td>
<td>Chapter 4</td>
<td></td>
</tr>
<tr>
<td>10/15</td>
<td>Fall Break, No Class.</td>
<td></td>
</tr>
<tr>
<td>10/17</td>
<td>Problem solving for chapter 4</td>
<td></td>
</tr>
<tr>
<td>10/22</td>
<td>Chapter 5</td>
<td></td>
</tr>
<tr>
<td>10/24</td>
<td>Individual Exam 2 (part 1) (15%) 10/25 is last day to withdraw with a “W”.</td>
<td></td>
</tr>
<tr>
<td>10/29</td>
<td>Project time: group works on the WSJ case-forecast cash flows and estimate WACC</td>
<td></td>
</tr>
<tr>
<td>10/31</td>
<td>Chapter 8: Relative valuation using market comparable</td>
<td></td>
</tr>
<tr>
<td>11/05</td>
<td>Case analysis for chapter 8</td>
<td></td>
</tr>
<tr>
<td>11/07</td>
<td>Chapter 9: Enterprise valuation</td>
<td></td>
</tr>
<tr>
<td>11/12</td>
<td>Case analysis for chapter 9</td>
<td></td>
</tr>
<tr>
<td>11/14</td>
<td>Chapter 10: valuation in a private equity setting</td>
<td></td>
</tr>
<tr>
<td>11/19</td>
<td>Continue Chapter 10</td>
<td></td>
</tr>
<tr>
<td>11/21</td>
<td>Review or TBA</td>
<td></td>
</tr>
<tr>
<td>11/26</td>
<td>Individual Exam 2 (part 2) (15%) Thanksgiving Holiday. No classes! Exchange rate risk management (Handout) (Homework) Project time: work on relative valuation</td>
<td></td>
</tr>
<tr>
<td>11/28</td>
<td>Reading day!</td>
<td></td>
</tr>
<tr>
<td>12/03</td>
<td>Final Presentation (8:00 am to 11:00 am)-Presentation for Final Case</td>
<td></td>
</tr>
<tr>
<td>12/05</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

*Note: Dates and topics are subject to adjustments as we proceed.*
Appendix: The WSJ Valuation Case Guideline

Find a potential valuation deal from the Wall Street Journal or other sources, which could be a M&A or IPO deal, to valuate the target firm or IPO shares.

Expectations:

1. Study the sector and industry trend.
   What is the GICS, Standard Industrial Classification (SIC), and NAICS for the sector and industry that the firm is in?

   Resource:
   IBISWorld Industry Report

2. Is there any comparable deal available? Get the comparable from the recent M&A deals, or get the recent IPOs, and their valuations and comparable.

   Resource:
   ProcCo: accessible from our library

3. Conduct financial analyses on Excel. When doing so, identify key value drivers for the firm or deal you choose, and project their trend.

   WACC estimation
   Pro-formal financial statement
   Future Free Cash Flow project
   Terminal value estimate
   Sensitivity analyses on key value drivers to the firm or share

   Resources:

   Public firm financials: Research Insights (Compustat) (Installed on the PCs in front of Tate 315)
   Crystal Ball simulation. (Installed on the PCs in front of Tate 315)
   Public firm stock prices-CRSP (Installed on the PCs in front of Tate 315) or Yahoo.finance

   Private firm financials: ProcCo: accessible from our library

4. Write-up report including the purpose of your project (valuate either a target firm, or IPO share), your sector analysis, your valuation methods (both discount cash flow and relative valuation, if possible), and the major results. The report should be in a word file!
5. Prepare the Power point slides for the presentation. The Excel file can serve as the supporting documents.

Some free resources you may be using for your projects:

**Business Insights: Essentials**
Extensive reference content from Gale's core business collection; easy-to-use company fundamentals and investment research reports; industry rankings, profiles, market share data, company histories, and more.

Recent M&A deals

http://www.reuters.com/finance/deals/mergers


or Google: ‘merger’

IPO pricing:

https://biz.yahoo.com/ipo/indg_a.html