Advanced Valuation and Corporate Financial Analysis  
FINC 418-03  
College of Charleston  
Course Syllabus  
Spring - 2019

Instructor:    Ellen Watson, CPA/ABV  
Office:     JC Long 333  
Phone: To be provided  
E-mail: watsoner@cofc.edu  
Class Time/Classroom:  MW 3:25pm - 4:40pm, JSC 337  
Office Hours:    MW 10:00am-12:00pm, TR 9:00am - 11:30am, or by appt


Description

This course serves as a synthesis of material taught in previous courses for finance majors. The material 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.

School of Business Mission Statement

The School of Business provides a quality education for its students by ensuring that they have the knowledge, skills and experiences to effectively and responsibly address business challenges.

Learning Goals (SCHOOL OF BUSINESS & CLASS SPECIFIC)

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

As part of further developing advanced knowledge on corporate valuation, this course will help students to both efficiently and effectively communicate interpersonally, and will sharpen written and verbal presentation skills.

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

This course will assist students in developing the skills necessary to identify and solve difficult financial problems through quantitative analysis, critical thinking, and the use of spreadsheets or other commercial software.
INTELLECTUAL INNOVATION AND CREATIVITY: Students demonstrate their resourcefulness and originality in addressing extemporaneous problems.

Students will demonstrate their resourcefulness through critical thinking and problem-solving skills.

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

This course will allow students to comprehensively review and strengthen knowledge on multiple sub-areas of finance, and will help students to apply financial knowledge to real life situations.

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

Expectations for Students

- Take ownership of your assignments. What you learn depends on your commitment.
- Spend sufficient time outside of the classroom each week to ensure you understand the materials, class work, homework, and discussions.
- Speak up: Ask for help when you’re stuck and/or lost. Let the instructor know in a timely manner if the class is unsatisfactory in any way. Visit during office hours or make an appointment. I am here for YOU! Let me help you.
Grading Policy

Grades will be based on the student’s performance on several components including group work, individual exams, and class performance.

3 Exams (60%, 20% each)
1 Group Project (20%)
ETS Major Field Test (10%)
Quizzes/Homework (5%)
Attendance / Participation (5%)

The final course grade will be in a letter based on the following:

<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>
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</tbody>
</table>

Group Cases: There are several group cases including a semester-long Wall valuation case. These cases will assess students’ qualitative & quantitative understanding of the materials. The students are expected to complete these assignments in group. Everyone in the group must contribute to the work, and each group member will fill out the Group Member Contribution Sheet. No make-up work will be granted for a group case.

If a student misses a group case, he/she needs to speak with his/her group members to come up with a solution. Some of the cases require the students to present results to the class. Please tell the instructor immediately if there are any issues with this.

Homework: Students are required to complete and turn in assigned homework on time. No late homework will be accepted but for extenuating circumstances.

Most homework assignments can be completed in a group or individually. However, it is critically important that each student understand the homework, be able to do it independently and correctly, or the chance is high that the student will not perform well on the individual exams.

Individual exams: There are three in-class, individual exams. Each exam will have one entire class dedicated to its completion. 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 either as documented or undocumented, I reserve the right as the instructor to make judgment as to whether an excuse is legitimate and whether a make-up should be granted.
Attendance Policy

Students are required to attend class and the instructor reserves the right to take attendance at any time. (This is part of your grade… see above)

Please arrive on time. Students with 3 or more absences will be withdrawn from the course. Students arriving late 6 or more times may also be withdrawn from the course. If withdrawn for the aforementioned reasons, a final grade of WF will be assigned.

Prerequisites

Senior standing: FINC 303, FINC 315

Reference Books and 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

Financial calculator
Microsoft Excel
Google

Group Valuation Case Write-Up and Presentation

Students will choose a valuation project based on actual events/companies. The events can be a potential M&A, IPO, or Private Equity deal, or a company of interest may be selected. Please select public companies with at least three full years of financial reporting. All selections must be approved by instructor prior to work commencing. See handout for detailed instructions and deadlines.

ETS Major Field Test

This 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, you will receive an 80% of the points allocated to this component of your grade.
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 XF 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 X to be expunged. 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/honorsystem/studenthandbook/index.php

Students with Disabilities

The College will provide reasonable accommodations for persons with documented disabilities. Students should apply 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.
## Tentative Class Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Chapters, Supplemental Reading, etc.</th>
<th>TOPICS COVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN 9</td>
<td>N/A</td>
<td>Administrative Introduction</td>
</tr>
<tr>
<td>14</td>
<td>The DNA of the CFO</td>
<td>Corporate Strategy, its formulation, the roles of CFOs</td>
</tr>
<tr>
<td>16</td>
<td>CFA curriculum: Readings 29</td>
<td>Financial Reporting, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>21</td>
<td>Martin Luther King Holiday</td>
<td>No class</td>
</tr>
<tr>
<td>23</td>
<td>CFA curriculum: Readings 30</td>
<td>Financial Reporting, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>6</td>
<td>Valuation Project Selection, industry/sector analysis</td>
<td>Financial Reporting, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>11</td>
<td>Chapter 7, discussion on Exam 1</td>
<td>Financial Reporting, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>13</td>
<td>Individual Exam 1; Group Selects valuation case. Group starts working on case (projecting cash flows)</td>
<td>Incorporation, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>18</td>
<td>Chapter 2</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>20</td>
<td>Problem Solving for Chapter 2</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>25</td>
<td>Chapter 3: Intro to simulation analysis and Crystal Ball</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>27</td>
<td>Problem Solving for Chapter 3</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>MAR 4</td>
<td>Chapter 4</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>6</td>
<td>Problem Solving for Chapter 4</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>11</td>
<td>Chapter 5</td>
<td>Capital budgeting, corporate financing</td>
</tr>
<tr>
<td>13</td>
<td>Individual Exam 2 (part 1); Group Works on valuation case (estimating WACC)</td>
<td>Incorporation, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>17-23</td>
<td>Spring Break</td>
<td>No Class</td>
</tr>
<tr>
<td>25</td>
<td>Chapter 8: Relative valuation using market comparables</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
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<tr>
<td></td>
<td>Last Day to Withdraw</td>
<td>Incorporation, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>27</td>
<td>Case Analysis for Chapter 8</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>APR 1</td>
<td>Chapter 9: Enterprise valuation</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>3</td>
<td>Case analysis for Chapter 9</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>8</td>
<td>Chapter 10: valuation in a private equity setting</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>10</td>
<td>Continue Chapter 10</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>15</td>
<td>Individual Exam 2 (part 2)</td>
<td>Enterprise valuation, valuation in a private equity setting</td>
</tr>
<tr>
<td>17</td>
<td>Case: Methods of valuation for mergers and acquisitions: Exchange rate risk management</td>
<td>Risk management for multinational corporations</td>
</tr>
<tr>
<td>22</td>
<td>Project time: group works on valuation case (combine cash flows with WACC, work on relative valuation)</td>
<td>Incorporation, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
<tr>
<td>Tues 23*</td>
<td>Option to Present Final Case</td>
<td>Incorporation, Financial Statements, Pro Forma Statements, Valuation</td>
</tr>
</tbody>
</table>

*Last day of class is on a Tuesday but is treated as a Monday to make up for MLK holiday.

Tuesday, April 30 Final Exam 4 - 7pm - Presentation for final case
Appendix: The 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 value the target firm or IPO shares. OR, select a public company of interest of your choice (please ensure at least three full years of publicly disclosed detailed financial reporting)

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 the purpose of your project (either valuate 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.

5. Prepare 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