

**COLLEGE OF CHARLESTON
SCHOOL OF BUSINESS
COURSE SYLLABUS**

Advanced Valuation and Corporate Financial Analysis

(FINC 418-01 SUMMER Extended 2022)

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Class Time/Classroom:	TR 05:30 PM-8:45 PM / Synchronous Online
Office Hours:	TR 3:30 PM-5:30 PM via Zoom, or by appointment

Prerequisites

Senior standing; FINC 303, FINC 315

Home Page: OAKS Website

Method of Presentation: Synchronous distance learning

The URL of the OAKS Support website offers instructions for FAQs, Content, Discussion Boards and Assignments as well videos and group meeting rooms.

Office Hours:

With the varied work schedules of many students, fixed office hours are generally inconvenient for students. As a result, I have set office hours and I have provided my home telephone number. If you would like to meet with me, let me know and we *will* arrange a mutually satisfactory time. For some students, telephone “meetings” are easier. To this end, you may call me at home at reasonable hours (i.e., before 10:00 p.m.).

Required Textbooks:

Financial Statement Analysis and Security Valuation, Stephen H. Penman, McGraw-Hill

Corporate Valuation: A Guide for Managers and Investors, Phillip R. Daves, Michael C. Ehrhardt and Ronald E. Shrieves, Thomson South-Western

International Financial Reporting Standards: An Introduction, Needles and Powers, Southwestern Cengage, 3rd Edition

Other Required Materials:

Evans, Jocelyn, “A Cross Disciplinary Approach to Undergraduate Corporate Valuation Instruction” in the *Journal of Financial Education*

Use of Technology:

1. All assignments must be typed neatly in a Word or Word Perfect (Current Version). You must also be proficient in PowerPoint for online oral presentations.
2. For financial and statistical analysis, students must be proficient with an appropriate software spreadsheet programming including excel.
3. Internet sources should be used to increase student awareness of current events about current events related evaluation.

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.

Analysis in financial problems of publicly traded corporations emphasizing analysis of the demand for funds, external and internal sources of funds and their cost to the firm, problems of the multinational firm and other techniques of financial management such as capital budgeting, cash budgeting and optimal capital structure, strategic analysis, historical 5-year financial analysis, 5 year proforma statement, and 5 valuation techniques for market value of stock price.

This is a course that offers an overview of valuation financial issues affecting larger companies. It is appropriate for students interested in marketing and sales, financial analysis positions, small company financial management, lending to or investing in small venture and post-venture firms, and regulatory examiner positions. The course discusses valuation and the successive stages of private equity financing, private debt financing, and “harvesting” through a merger or sale, a restructuring, leveraged buyout (LBO), or a secondary equity offerings (SEO).

COURSE RATIONALE:

The intent of this course is to analyze the financial issues that affect entrepreneurial investment. Entrepreneurial investments, high-risk/high-reward opportunities, are often associated with small and growing ventures. The class also goes beyond start-ups and early-stage investment situations. Entrepreneurial opportunities also occur in various forms of corporate restructuring such as leveraged buyouts and workouts. Several guests from the real world of entrepreneurial finance will attend classes to offer students the benefit of their experience and observations. The course should be useful to those seeking careers in venture capital, private equity investing, distress investing, investment management or in senior management positions of entrepreneurial corporations.

SCHOOL OF BUSINESS OBJECTIVES:

Consistent with the goals of the School of Business, this course includes instruction in:

Quantitative Fluency: The course requires extensive aptitude in comprehending and implementing strategies to solve practical quantitative problems. This aptitude is necessary to successfully run the financial operations of a firm.

Global and Civic Responsibility: The course covers topics that require understanding of the appropriate response to legal and ethical problems and an understanding of the legal and social ramifications of

financial decision making. The course requires an understanding of international implications of managerial finance.

Communication Skills: The course instructs on the ability to communicate relatively complex quantitative data and results to both financially educated and uneducated individuals.

Synthesis: Concepts from accounting, economics, and statistics will be applied throughout the course to solve financial problems. The ability to synthesize information from these disciplines and others is essential.

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 *managerial knowledge* based on cash flow analysis and financial metrics. The course will prepare students to be financial analysts and build *skills for lifelong learning*.

The specific learning objectives are as followed. 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 clear.
- Contact the professor or request a ZOOM meeting for help.
- Get the textbook, read the chapters, and do the homework.
- Bring up the issues as soon as you see them. Give the professor timely feedbacks. Tell the professor if there is any way we can make teaching more effective and fun!

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.

CLASS FORMAT

This is a synchronous online course. The class format will include online lectures and discussions of theoretical material. Lectures will be made available daily. Students must have access to a computer and a high-speed internet to be able to complete the course. The reading material and video lectures are available at the course website on OAKS. Student should expect a relatively heavy workload. Due to the nature of the Summer term, the material presented daily is equivalent to a week of work in a typical semester course. Therefore, students should understand this and manage their time accordingly. Given the quantitative nature of the course material, it is important that students keep up with the assigned readings and course resources in order to navigate successfully through the course. This requires frequent logins into the student's account.

Technical Issues

All technical issues should be reported to the Student Computing Support Desk at (843) 953-8000, studentcomputingsupport@cofc.edu, or visit <http://blogs.cofc.edu/sits/>

Technical problems do not constitute an excuse for late assignments.

Participation and Community Statement

Communication from Professor

I will send email messages to the class regarding important announcements. It is expected that you log into OAKS and check your OAKS registered email account daily. All relatively personal communications to students will be done via email. I will respond to emails in 24-48 hours. The response time may be longer on weekends when I check my email less frequently. I can also set up appointment via Zoom and Skype.

Communication with Professor and Classmates

We will be using Zoom as well as the communication tool in OAKS to interact in this class. The OAKS News Feed will be updated with a brief description of the upcoming lecture. I expect the class to participate actively in the course by making use of this OAKS communication tool. Community participation is an integral part of the online learning process. It is my expectation that you will learn from each other through the discussion of ideas on the forum. If there is an issue you feel the entire class will benefit from discussing, there will be a discussion board module opened for each lecture. Students are highly encouraged and expected to participate in these community discussions. In case there is an issue you want to discuss one-on-one with the professor, you may email at any time. Please read and review the assigned chapter before posting on the course discussion board. I can see when a student logs onto the course website and monitor progress through the course. To this end, I expect you to log into the course website at least 5 times in a week to keep up with the course material. I also expect students to post at least one question per chapter.

Students are also expected to provide at least one response to their course mates per chapter. In providing feedback to your course mates, please pay attention to the content and language. This fosters trust and understanding among community members. Students will be evaluated on the quality and insights of their contributions. Quality comments should include one or more of the properties below:

- Offers a different and unique perspective;
- Aids in moving the discussion and analysis forward;
- Builds on other comments;
- Demonstrate some reflective thinking.

Community participation constitutes 1/6th of the total grade. Points will be assigned based on the professor's observation of each student's participation on the discussion forum. Additionally, I will use the community participation to manage border line grades.

Office Hours

I will actively monitor the computer for emails, messages, or requests from students during the stated office hours. Communication can be done via email, Zoom, OAKS Chat, Skype, or telephone. In case students are unavailable during the posted office hours, they can request a different virtual meeting time and the request will be accommodated as best as possible.

SYNCHRONOUS DISTANCE EDUCATION CLASS RULES:

1. Everyone must have their ZOOM video feature on.
2. Everyone must sign into ZOOM which will be posted in the OAKS announcement by 5:30 PM. Students' attendance record is part of their 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 reasons (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.
3. Everyone must answer the questions on the Discussion Board prior to each class (class participation) on business news articles and YouTube videos by 11:30 PM eastern time on Monday and Wednesday. Your grade will depend on the number and quality of your postings. Each person must have at least one posting for each question.
4. You will need to use your knowledge of Excel financial model development for your financial analysis of a publicly traded company that must be approved by the instructor by May 19.
5. Teaching and learning are a partnership between faculty and students. I will fulfill my partnership obligations by serving as advisor, consultant, mentor and providing general comments and clarifications of difficult or confusing concepts. You will fulfill your partnership obligations by being a fully participative, responsive, helping, and working member of the class.
6. Regular and punctual class and laboratory attendance is expected of all students.
7. A student assumes responsibility for conduct compatible with the mission of the college as an educational institution. Students have the responsibility to submit coursework that is the result of their own thought, research, or self-expression. Students must follow all instructions given by faculty or designated college representatives when taking examinations, placement assessments, tests, quizzes, and evaluations. Actions constituting scholastic dishonesty include, but are not limited to, plagiarism, cheating, fabrication, collusion, and falsifying

- documents. Penalties for scholastic dishonesty will depend upon the nature of the violation and may range from lowering a grade on one assignment to an “F” in the course and/or expulsion from the college. See the Student Standards of Conduct and Disciplinary Process and other policies. For homework, I do not want students to turn in the exact same answers.
8. Each of us will have mutual respect by facilitating diversity, equity and inclusion in class discussions.
 9. You are expected to read the Chapters and participate in the bulletin board discussions. In order to earn the full points, you must participate in all bulletin board discussions. Discussion topics will be established throughout the class. To earn points, you must participate by either stating your comments to the topic (that I provide) or responding to your classmates’ posts. Comments should be well thought out and in complete sentences. You should check the bulletin board at least twice a week for any bulletin boards that may be established in order to discuss a topic. More information about bulletin board discussions will be provided in OAKS.

OUTLINE OF COURSE CONTENT:

Warning:

This course outline provides a general plan for the course; deviation may be necessary. Any schedule change will be announced in class, and you are responsible for the announced change regardless of whether you are in class at the time of the announcement. This includes announcements made the first night of class.

Course Outline		
5/17	1	Syllabus and Introduction to Valuation and the Business Plan (Penman 1)
	2	Financial Statements, GAAP, IFRS (Penman 2) Strategic Analysis
5/19	3	Discuss <i>Penman Chapter 1 questions and exercises</i> Discuss M1.1 and Kimberly Clark Case (everyone should have completed the case and participated on the Discussion Board)
	4	Multiples Valuation (Penman 3) Assessing Risk (Appendix Penman 3)
5/24	5	Discuss <i>Penman Chapter 2 questions and exercises</i> Discuss M2.1 and Kimberly Clark Case
	6	Discounted Cash Flow Valuation (Penman 4) Evan and Will Matheson, Managing Partners at Matherson Capital
5/26	7	Discuss <i>Penman Chapter 3 questions and exercises</i>

		Discuss M3.1, M3.2 and Kimberly Clark Case
	8	Davies 1 and 2 Start working on Excel for Historical Analysis (5 years) Dr. Ken Soyeh Strategy Paper Due
5/31	9	Discuss <i>Penman Chapter 4 questions and exercises</i> Discuss M4.1, M4.2 and Kimberly Clark Case
	10	Historical Financial Analysis (Penman 8 and 10) Analysis of Profitability, Leverage, Liquidity Start working on ratios for your firm and competitors
6/2	11	Discuss <i>Penman Chapter 8 questions and exercises</i> Discuss Kimberly Clark Case in Chapters 8
	12	More Ratios (Penman 9) Matt Hayes
6/7	13	Discuss <i>Penman Chapter 10 questions and exercises</i> Discuss M10.1, M10.2 and Kimberly Clark Case
	14	Profitability (Penman Chapter 12)
6/9	15	Discuss <i>Penman Chapter 12 questions and exercises</i> Discuss M12.1 and Kimberly Clark Case
	16	More Valuation (Penman 5) Historical Analysis Due
6/14	17	Discuss <i>Penman Chapter 5 questions and exercises</i> Discuss M5.1, M5.2, M5.3 and Kimberly Clark Case
	18	Risk (Davies 3 and 4)
6/16	19	Proforma Analysis (Davies 5 and 6)
	20	Valuation and Accrual Accounting (Penman 6) Abnormal Earnings Growth Valuation
	21	Residual Earnings Growth Valuation (Penman 7)
6/21	22	Discuss <i>Penman Chapter 6 questions and exercises</i> Discuss M6.1 and Kimberly Clark Case

	24	Discuss <i>Penman Chapter 7 questions and exercises</i> Discuss M7.1, M7.2 and Kimberly Clark Case
6/23	25	Technical Issues (Davies 8) Business Plan and Valuation that includes Valuations and Proforma Statements due

Note: If you would like to receive a grade before the official University mailing, you may give me a self-addressed, stamped envelope or card and I will mail your grade as soon as it is ready. Grades will not be released over the telephone.

COMPUTER COMPONENT:

Knowledge of spreadsheet, database, and word processing programs is essential.

LIBRARY ASSIGNMENTS:

See course outline.

SPECIAL COURSE REQUIREMENTS:

The students in this class will work closely with the small business development center at South Carolina State University.

ATTENDANCE POLICY:

Class participation is not synonymous with attendance. It means that you are well prepared to discuss the assigned case and readings and do so effectively. Quality is important. Asking questions in class can be a valuable learning vehicle and such questions are encouraged for that reason, but questions do not earn class participation points. Points are earned by presenting quantitative and qualitative analyses of the case situation that have the effect of moving the class towards valuable insights about the case. For example, it is not enough to simply present the values of particular ratios. You must also furnish the understanding gained from analysis of the ratios. The only way to earn points is through your verbal contributions in class. A student who attempts to avoid a poor class participation grade by not participating will simply ensure a failing grade. If you are uncomfortable with such a large portion of your grade being determined by class participation, drop the course!

METHOD OF EVALUATION AND GRADING SCALE:

Your grade will be determined by the following.

Proforma and Valuation-written paper	1000
Historical Analysis-written paper	1000
Strategy Paper-written paper	1000
Video and PowerPoint of Financial Analysis	1000
Discussion Board Class Participation	1000
<u>Zoom, PowerPoint or Video Presentation</u>	<u>1000</u>
Total	6000

Make up examinations are never given. Class starts promptly at the scheduled time. If you will be unable to arrive on time, you should withdraw from the course.

Withdrawal:

Note that “W” is not automatic. You must be doing passing work. Withdrawal before the first examination does not guarantee a “W” because of the importance of class participation and the quizzes to the course grade.

ACADEMIC HONESTY:

It is your responsibility to read the University Policy on Academic Honesty. This document establishes clear standards for academic honesty, and it will be enforced in this course. My policy is completely consistent with that document. Here is my position. A university can successfully function only when its integrity is maintained. One important element of integrity is personal honesty. Cheating, a form of personal dishonesty, is unfair to students who do not cheat because their performance may appear relatively inferior, and it is unfair to students who do cheat because it short circuits the learning process. In short, cheating is a cancer that invades and subverts the legitimate academic process. It cannot be tolerated at any level. Consequently, my position is simple. All work must be your own. Any student found using case notes prepared by others (including students from prior classes), copying during quizzes or exams, signing someone else’s name to the attendance list, or attempting in any way to promote the work of others as his or her own will receive an F for the course. Note that a person helping is equally as guilty of cheating as the recipient of the assistance. In addition, I will make every effort to see that the guilty party receives the most severe University disciplinary action appropriate. There will be no exceptions or second chances. Period.

Cross Disciplinary Application

Components of the capstone course that the authors of this article used in their work together are discussed in the appendix. The components of the course plan can be adjusted so that other disciplines can be used or modified to fit other needs.

Course Description

This course provides a comprehensive synthesis of the financial theories and concepts learned in previous finance courses. The application of discounted cash flow (DCF) and marketable comparable valuation models will be used as a platform for integrating various theoretical aspects of business plan development, financial forecasting, working capital management, sources of financing, capital budgeting, security valuation, value-based management, strategic marketing, and business ethics. This course should have wide application from small to large company environments. Special attention will also be given to valuation issues affecting smaller companies and publicly traded corporations that are affected by global competition.

Specific Course Objectives, Competencies and Measurable Outcomes:

1. To be able to effectively use the following tools of financial analysis to perform valuations for a start-up business plan that each student will create: cash flow statements, financial ratios, common-size statements, cost-volume-profit analysis, sustainable growth analysis, case budgets, and proforma financial statements.
2. To describe the accounting and recordkeeping options available to you business.
3. To explain how to forecast sales and capital expenditures using triangulation.
4. To create proforma financial statements for five years and analyze the projected performance.

5. To describe how to use cost-volume-profit analysis to answer questions about your business.
6. To complete an application for an SBA loan or grant.
7. To develop critical thinking skills.
8. To develop oral communication and writing skills.
9. To understand the ethical implications of transparently presenting your assumptions and valuation models
10. To analyze a firm's financial statement using both GAAP and the International Financial Standards

An overall objective of this course is to enable the student to integrate marketing, management, and ethical paradigms into their valuation methodologies. This approach will enable the student to understand the opportunities, challenges, and problems confronting individuals who pursue careers in financial management. Thus, the class will magnify student's understanding of basic and advance financial concepts within a comprehensive theoretical setting. Specifically, the focus will be on the following objectives:

1. Create a formal business plan for a publicly traded corporation and relate the firm's value-based management and marketing strategies to the assumptions underlying the valuation analysis. The strategic analysis component requires the student to know the business and its related industry.
2. Evaluate the historical and projected financial condition, i.e., performance of the company, through the use of student-created cash flow statements, financial ratio analysis, common-size and trend financial statements, cost-volume-profit analysis, and sustainable growth analysis
3. Create proforma financial statements for five years and analyze the projected financial performance for each year.
4. Explain and demonstrate how to forecast sales and capital expenditures using triangulation and other methods.
5. Describe how to use cost-volume-profit analysis to answer help assess operating risk.
6. Draw on discussions of valuation concepts and models from academic research papers to establish different structured frameworks.
7. Create several valuation models for a publicly traded company that is either financially distressed or growing rapidly. Discuss how strategic management innovations and the firm's operating strategy affect cash flows and risk.
8. Perform a risk assessment for a small closely held firm, firms in different industries, and regulated firms.
9. Develop critical thinking skills.
10. Develop oral communication and writing skills.
11. Understand that a firm must provide good customer service in order to create long term economic financial success.
12. A firm must recruit, develop and sustain a diverse workforce in order to maintain a high level of customer service which will lead to higher revenue and cash flow.

Task Objectives

1. Business Plan-Marketing and Management
2. Historical Analysis-ratio, operating cycle and sustainable growth analysis

3. Proforma Analysis-percentage of sales approach, estimating future free cash flow
4. Sensitivity Analysis-Business Ethics
5. Discounted Cash Flow Valuation-beta, weighted average cost of capital, cost of equity, estimated growth rate
6. Market Comparable Valuation
7. Summary and Conclusion
8. Executive Summary

Examples of question that should be addressed in the business plan are presented in Table 4.

Table 4. Interdisciplinary Approach to Valuation-Sample Questions

1. How will the firm's strengths, weaknesses, opportunities, and threats (SWOT) affect your estimates of future cash flows over the next five years? (strategic management)
2. Does the firm have a talented pool of professionals with diverse backgrounds, regions and skills? Given the recent emphasis on outsourcing and improved global competitiveness, is diversity management an important part of your firm's goals? (organization behavior and international business)
3. How does the firm product pricing strategy affect gross profit margin? (marketing)
4. How does the product elasticity affect the firm's revenue and unit sales? (marketing and economics) Can a firm produce higher financial results by increasing marketing efforts and relying on a strong sales culture? (marketing and organizational behavior)
5. How does the firm's reputation regarding customer service affect customer loyalty and thus revenue and earnings stability? Does customer service matter? Is customer service correlated with lower inventory turnover? (marketing)
6. How did monetary and fiscal policy affect your estimates of required rate of return for both bonds and stocks? (economics)
7. How does the firm's merger, globalization, or franchise strategy affect your estimate of growth estimates for cash flow and revenue with respect to new product markets? (strategic management and marketing)
8. How have technological innovations reduced the firm's costs? (decision science)
9. Does the firm's mission statement reflect its business units and organizational structure? (strategic management) Has the firm been involved in lawsuits, community complaints, or class action suits that may have ethical considerations? (ethics)

AACSB Assessment Criteria

Porter and McKibben (1988) argue that a disconnect exists between business school education and the practices that are used in corporate America. This same concern is given in a report by the AACSB according to Olian, Caldwell, Griffen, Liverpool, and Thomas (2002). They state that "business education is inadequate for preparing future business leaders ... (p 20). AACSB argues that "The most effective learning takes place when students are involved in their educational experiences. Passive learning is ineffective and of short duration. Faculty members should develop techniques and styles that engage students and make students responsible for meeting learning goals. Many pedagogical approaches are suitable for challenging students in this way-problem based learning (Scherpereel and Bowers, 2006), projects, simulations, etc. (p 57)." This criteria is a response to the AACSB's call for innovation. The goals of College of Charleston's multidisciplinary valuation course are provided below.

Goal 1: Ethical and Diversity Awareness

Objective: Students will recognize and be able to appraise ethical dilemmas involved in business decisions and competently engage in discourse aimed at resolution of these dilemmas utilizing relevant discipline specific knowledge. Students will have to apply the business ethics concepts from strategic management (co-requisite) to the assumptions underlying their valuation models.

Implementation: Students will have to analyze the ethical decisions of corporate executives at industry, company, and analyst (student) level. For example, students would have to determine whether Arthur Anderson's corporate governance decisions with respect to Enron Co. were appropriate.

Demonstration of Achievement: Each student will display an understanding of the ethical considerations of valuation analysis in a written report in the initial section of the critique of the company's business plan.

Goal 2: Leadership and Global Awareness

Objective: Students will recognize and examine the global implications of business decisions while evaluating and integrating innovative applications of these implications utilizing relevant discipline specific knowledge. In order to adequately complete this component of the business plan, a student has to consider a firm's existing and potential foreign production, product markets, factors that allow firms to lead the industry, and other pertinent issues.

Implementation: Each student will be able to identify a company's existing and potential international and domestic competition in the comparables approach to valuation analysis. Each student will understand the cultural and international diversity issues for the geographic areas that the company operates within or for their work force. This part of the business plan will enable the student to develop an understanding of the relevant global economic, social, and political issues.

Demonstration of Achievement: The course syllabus will have an international component. Students must compute the value of a multinational firm's stock and bonds as one of their assignments. An exam will test students' knowledge of the theoretical issues.

Goal 3: Problem Solving Ability

Objective: Students will demonstrate critical thinking skills in identifying and evaluating problems and opportunities in the business environment and apply analytical techniques to formulate creative solutions utilizing relevant discipline specific knowledge.

Implementation: The valuation project requires the design of multiple spreadsheets to estimate firm value. The inputs for the spreadsheets depend upon the assumptions derived from the business plan (marketing and management strategic analysis) and the proforma financial statement.

Demonstration of Achievement: The student is expected to attain 70% or higher on the written and oral portions of the completed business plan and valuation analysis. Essay and advanced level quantitative problems will test the students' knowledge of ratio analysis, cash flow projection,

stock/bond valuation, cost of capital calculation, and other financial areas. Each student is required to pass the introductory accounting and economic courses as prerequisites for this course.

Goal 4: Effective Writing and Oral Communication: Practical Application

Objective: Students will be able to convey ideas through effective oral and written communication. The objective is to force the student to write a technical analysis that goes beyond the simplified valuation methodology presented in introduction to financial management text books (see Skinner, 1994).

Implementation: The student will complete a research valuation paper based upon a publicly traded corporation that is either rapidly growing or in financial distress. Individual and team assignments are a part of the class.

Demonstration of Achievement: They will write and present professional documents that are technically correct and concise as well as utilizing relevant discipline specific knowledge. Students will evaluate the performance of other students within the class. Each student will also receive a grade for the written and oral component.

Goal 5: Technological Sophistication

Objective: Students should be technologically proficient within the finance discipline.

Implementation: Students will be required to estimate the weighted average cost of capital using regression analysis over different time periods. They will use excel and other applications to design the spread sheets for the different valuation methodologies.

Demonstration of Achievement: The course outline will require the proficiency of certain technological skills in order to complete the assignment. Each student must complete the introductory decision science course as a prerequisite to the capstone valuation course. The data for the valuation assignment is collected from the internet. Beta must be calculated in Excel, SPSS, SAS, or some other statistics package.

Goal 6: High Level of Cognitive Learning: Improved Knowledge and Retention

Objective: Students should be able to understand and analyze complex business issues with quantitative and qualitative models. They will also be able to recommend solutions within a practical corporate setting in both oral and written formats.

Implementation: The student will be tested with embedded question on exams and valuation assignments.

Demonstration of Achievement: Students are expected to attain a 70% or higher on the comprehensive senior exit exam. ETS provides major field test for capstone courses. Students will also be required to complete the capstone course with a minimum grade of C.

Goal 7: Cross Disciplinary Knowledge and Application: Marketing, Management, and Finance

Objective: Students will develop an understanding of the theories, concepts, and skills relevant to finance, marketing, and management and how these subjects interrelate within a valuation project. Active learning should replace passive learning.

Implementation: Students will be able to apply financial theoretical knowledge such as sustainable growth's link to marketing/management sales objectives within an interdisciplinary framework.

Demonstration of Achievement: Students will also be required to complete the capstone course with a minimum grade of C.

Goal 8: Interpersonal Skills

Objective: Each student will develop the ability to work in teams and have leadership, time management, conflict management and multitasking skills. The intent is to make sure that students can work within an organizational culture that values high expectations and requires respect for diverse talents and learning styles.

Implementation: The student will be required to collaborate with a teacher selected group for at least one assignment.

Demonstration of Achievement: Each student and the teacher will grade an individual person on leadership, team work, time management, creativity, conflict management and multitasking. The evaluations will be based on written assignments, oral presentations, business plans, and out-of-class teacher contact and meetings. Students take on a significant self-management role in this class.

Final Valuation Project Assignment

- I. Is the company maximizing shareholder wealth (market value of equity) and firm value (market value of total assets)? Analysis is over a five year historical time period (2009-2013)

Descriptive

- A. Mission Statement- Stated Versus Actual Activities
 - B. Customer Base and Market Share
 - C. Legal Structure
 - D. Size and Business Segments
 - E. Industry-Strength and Weaknesses of Major Competitors (SIC Code)
 - F. Takeover/Bankrupt Activities
 - G. Company and CEO History
 - H. Firm's Sensitivity to the Economy (Trade Magazines)
 - I. Economic Outlook
 - J. Current Events
 - K. IFRS
 - L. Balanced Score Card
 - M. Ethical Issues and Concerns
- II. Historical Financial Analysis (1999-2004) [Refer to <http://daves.selearning.com>]

Analytical Evaluation

A. Profitability for each year (Trend and Industry Analysis)

1. $Roe = NI/TE$
2. $Roa = NI/TA$
3. $PM = NI/Sales$
4. $TAT = Sales/TA$
5. $EM = TA/TE$
6. $CGS/Sales$; $Operating\ Expenses/Sales$; $Interest\ Expense/Sales$
 $Taxes/Sales$; $Other/Sales$

B. Liquidity for each year

1. $Current\ Ratio = CA/CL$
2. $Quick\ Ratio = CA - Inv/CL$
3. $Cash/TA$
4. AR Days
5. AP Days
6. Inv Days

C. Default Risk for each year

1. TL/TA
2. STD/TL
3. $TIE = EBIT/Interest\ Expense$
4. Cash flow Ratios in a finance book

D. Market Ratios

1. Market to Book Value of Equity
2. Market to Book Value of Assets
3. P/E Ratios: Trailing and Forward
4. $EBIT/Debt + Market\ Value\ of\ Equity$
5. Stock Price
6. EPS
7. E. Reformulated Statements
8. Ratios from Chapter 11
9. All ratios in Chapter 3

E. Financing

1. Required Rate of Return based on CAPM-Beta, 10 year treasury return, Market Portfolio Return
2. Average Cost of Debt (coupon rates are the required rate of return on debt)
3. Tax Rate
4. WACC
5. Leveraged and unleveraged Beta

III. Building Blocks for Fundamental Valuation Analysis

A. Proforma Analysis: Projections of Future Cash Flows

1. $NI + Depreciation$
2. $NOPAT = EBIT (1 - Tax\ Rate)$
3. Operating Capital

4. Free Cash Flow from Assets; Free Cash Flow to Equity
5. Compute the Market Value of Assets using the Discounted Cash Flow, Dividend Growth Model and Comparables Approaches
6. Compute the Market Value of Equity Assets using the Discounted Cash Flow, Dividend Growth Model and Comparables Approaches
7. Use Section to analyze the ratios and market/book values for the proforma period
8. Calculate Indirect Cash Flow Statements for the Proforma and Historical Periods-Why is this approach used?
9. Calculate the unlevered Betas from the levered Betas for your firm and its peers
12. Recalculate levered Betas based upon your proforma balance sheets
13. Use OLS regression to model and estimate the Beta for your firm over different time periods
14. Recalculate the market value of equity with your new Betas
15. Compare your estimated market value equity under each approach to the latest stock price. Is your stock under or over valued?

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 be 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://deanofstudents.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.

For more information, you may visit the disability services website: <http://disabilityservices.cofc.edu/>

Recording of Classes (via ZOOM)

Class sessions will be recorded via both voice and video recording. By attending and remaining in this class, the student consents to being recorded. Recorded class sessions are for instructional use only and may not be shared with anyone who is not enrolled in the class

Inclement Weather, Pandemic or Substantial Interruption of Instruction

If in-person classes are suspended, faculty will announce to their students a detailed plan for a change in modality to ensure the continuity of learning. All students must have access to a computer equipped with a web camera, microphone, and Internet access. Resources are available to provide students with these essential tools.

Center for Student Learning:

The Center for Student Learning's (CSL) academic support services provide assistance in study strategies, speaking & writing skills, and course content. Services include tutoring, Supplemental Instruction, study skills appointments, and workshops. Students of all abilities have become more successful using these programs throughout their academic career and the services are available to you at no additional cost. For more information regarding these services please visit the CSL website at <http://csl.cofc.edu> or call (843) 953-5635.

Mental & Physical Wellbeing:

At the college, we take every students' mental and physical wellbeing seriously. If you find yourself experiencing physical illnesses, please reach out to student health services (843.953.5520). And if you find yourself experiencing any mental health challenges (for example, anxiety, depression, stressful life events, sleep deprivation, and/or loneliness/homesickness) please consider contacting either the Counseling Center (professional counselors at <http://counseling.cofc.edu> or 843.953.5640 3rd Robert Scott Small Building) or the Students 4 Support (certified volunteers through texting "4support" to 839863, or meet with them in person 3rd Floor Stern Center). These services are there for you to help you cope with difficulties you may be experiencing and to maintain optimal physical and mental health.

Food & Housing Resources:

Many CofC students report experiencing food and housing insecurity. If you are facing challenges in securing food (such as not being able to afford groceries or get sufficient food to eat every day) and housing (such as lacking a safe and stable place to live), please contact the Dean of Students for support (<http://studentaffairs.cofc.edu/about/salt.php>). Also, you can go to <http://studentaffairs.cofc.edu/studentfood-housing-insecurity/index.php> to learn about food and housing assistance that is available to you. In addition, there are several resources on and off campus to help. You can visit the Cougar Pantry in the Stern Center (2nd floor), a student-run food pantry that provides dry-goods and hygiene products at no charge to any student in need. Please also consider reaching out to Professor ABC if you are comfortable in doing so.

Inclusion:

The College of Charleston offers many resources for LGBTQ+ students, faculty and staff along with their allies.

[Preferred Name and Pronoun Information](#)

[On Campus Gender Inclusive facilities](#)

[Campus Resources](#) **Other**

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 value 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:

S&P Capital IQ, 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:

Capital IQ: <https://www.capitaliq.com/CIQDotNet/my/dashboard.aspx>

ProcCo: accessible from our library

<https://www.privco.com/private-company/docu-sign-inc/ipo/docu-sign-inc-plans-to-go-publicmarch-2018>

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:

Capital IQ: <https://www.capitaliq.com/CIQDotNet/my/dashboard.aspx>

Crystal Ball simulation. (Installed on the PCs in front of Tate 315)

Private firm financials: ProcCo: accessible from our library

<https://www.privco.com/private-company/docuSign-inc/ipo/docuSign-inc-plans-to-go-publicmarch-2018>

- 4. Write-up report including the purpose of your project (value 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>

<http://finance.yahoo.com/news/category-m-a/> or

Google: 'merger'

IPO pricing:

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