

# FIN 4244 -Asset Valuation and Governance

## Spring 2022

**Instructor:** Felipe Cabezon

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**Office:** PAM 1035

### **Class Time:**

Section 21435: Tue & Thu 9:30 am - 10:45 am in PAM 1004

Section 15393: Tue & Thu 11:00 am - 12:15 pm in PAM 3008

Section 15395: Tue & Thu 2:00 pm - 3:15 pm in PAM 3001

**Office Hours:** Tue & Thu 3:30 pm - 4:30 pm, and by appointment

### **Course Description**

This course provides you with the skills to efficiently allocate financial resources among different businesses. It develops a framework for business valuation using financial statement data; and shows you how to apply this framework to a variety of business decisions like buying/selling stock, private equity investing, and corporate acquisitions. During the course, you will learn a theoretical valuation model and will apply it to real cases.

### **Learning Objectives**

The course is designed to achieve the following learning outcomes:

1. Provide you with systematic framework that allows you analyze a business and make sound financial decisions as a stakeholder in the business (investor, creditor, officer etc.).
2. Enable you to assess how well the accounting methods used by a business reflect its underlying economic performance and quantify any major accounting distortions.
3. Enable you to use the information available in the financial statements to conduct a comprehensive ratio analysis of a business and evaluate its financial health.
4. Make you proficient in the use of technology to screen large financial databases for actionable information.
5. Enable you to provide a plausible and internally consistent set of financial statement forecasts for a business through an appropriate forecast horizon and to critically evaluate the forecasting models of others.
6. Enable you to estimate a plausible valuation for a business and to critically evaluate the valuation estimates provided by others.

## **Required Materials**

The textbook for the course is: Russell Lundholm and Richard Sloan, Equity Valuation and Analysis, Fifth Edition, Independently Published (July 11, 2019). ISBN: 978-1079983357.

Available at: <https://www.amazon.com/dp/107998335X>

The book is to be used in conjunction with materials that are freely available on the associated website: <https://www.lundholmandsloan.com>. This website provides links to software, cases, quizzes, webcasts and other materials related to the course.

## **Canvas**

Course materials are posted on Canvas. Check there for any updates to course materials and for announcements in between class meetings.

## **Grading Policies:**

Homework:	10%
Group Cases:	35%
Midterm:	25%
Final Exam:	30%

**Homework:** There will be a short homework for every chapter. Their purpose is to help student to practice and incorporate the new contents. The homework will be posted on Canvas and are due in hardcopy form at the beginning of the next class.

**Group Cases:** The course is divided in five parts. At the end of each part, students will have to apply the contents to a real case and submit a report (there will be specific questions and due dates for each case). Students are allowed -and encouraged- to work in teams to solve these cases. A team can be of a maximum of four students. The reports should be delivered by email on the due date (specific to each case) before the beginning of the class.

**Midterm:** There will be a midterm exam on March 3, during scheduled class time. The midterm will test material covered up to the midterm. No midterm makeup will be given. In case of proven medical emergencies, the weight of the midterm will be added to the final exam.

**Final Exam:** The final exam will test all the material covered in the course. The final exam calendar for each section is:

Section 21435: May 7 from 3:25 pm to 5:25 pm in PAM 1004

Section 15393: May 11 from 1:05 pm to 3:05 pm in PAM 3008

Section 15395: May 9 from 4:25 pm to 6:25 pm in PAM 3001

Score to grade conversions: A: 93+, A-: 90-92.9, B+: 87-89.9, B: 83-86.9, B-: 80-82.9, C+: 77-79.9, C: 73-76.9, C-: 70-72.9, D+: 67-69.9, D: 63-66.9, D-: 60-62.9, F: 0-59.9.

## TENTATIVE COURSE CALENDAR

Date	Topic	Readings	Assignment Due dates
25-Jan	Introduction and Overview	Ch. 1	
27-Jan	Business Strategy Analysis	Ch. 2 & 3	
1-Feb	Business Strategy Analysis	Ch. 2 & 3	
3-Feb	Accounting Analysis	Ch. 4	HW 1
8-Feb	Accounting Analysis	Ch. 4	
10-Feb	Accounting Analysis	Ch. 4	Case 1
15-Feb	Accounting Analysis	Ch. 4	HW 2
17-Feb	Financial Analysis	Ch. 5 & 6	
22-Feb	Financial Analysis	Ch. 5 & 6	HW 3
24-Feb	Financial Analysis	Ch. 5 & 6	Case 2
1-Mar	Financial Analysis	Ch. 5 & 6	
3-Mar	<b>Midterm</b>		
8-Mar	SPRING BREAK		
10-Mar	SPRING BREAK		
15-Mar	Forecasting	Ch. 7 & 8	
17-Mar	Forecasting	Ch. 7 & 8	Case 3
22-Mar	Forecasting	Ch. 7 & 8	HW 4
24-Mar	Valuation and Cost of Capital	Ch. 9 & 10	
29-Mar	Valuation and Cost of Capital	Ch. 9 & 10	
31-Mar	Valuation and Cost of Capital	Ch. 9 & 10	HW 5
5-Apr	Valuation and Cost of Capital	Ch. 9 & 10	
7-Apr	Valuation Ratios	Ch. 11	Case 4
12-Apr	Valuation Ratios	Ch. 11	
14-Apr	Valuation Complications	Ch. 12	
19-Apr	Comprehensive Case		
21-Apr	Comprehensive Case		
26-Apr	Comprehensive Case		Case 5
28-Apr	Review of Cases		
3-May	Prep for the exam		

### Class Etiquette:

1. Please use a folder name card. This will help me learn your names faster.
2. If you want to participate in the class, you can either raise your hand or say my name.
3. Please arrive on time. If you are going to be late on a particular day, please let me know in advance.
4. If you must leave early on a particular day, please let me know in advance.

## **ADDITIONAL INFORMATION**

### **Honor Code**

The Undergraduate Honor Code will be strictly enforced in this course. Any suspected violations of the Honor Code will be reported to the Honor System for action (without your prior knowledge). Unfortunately, there are no warnings or second chances.

The Undergraduate Honor Code pledge that each member of the university community agrees to abide by states: "As a Hokie, I will conduct myself with honor and integrity at all times. I will not lie, cheat, or steal, nor will I accept the actions of those who do."

Students enrolled in this course are responsible for abiding by the Honor Code. A student who has doubts about how the Honor Code applies to any assignment is responsible for obtaining specific guidance from the course instructor before submitting the assignment for evaluation. Ignorance of the rules does not exclude any member of the University community from the requirements and expectations of the Honor Code. For additional information about the Honor Code, please visit:

[https://www.honorsystem.vt.edu/Honor Code](https://www.honorsystem.vt.edu/Honor%20Code)

### **The Virginia Tech Honor Code Pledge for assignments & exams is as follows:**

**"I have neither given nor received unauthorized assistance on this assignment/exam."** This pledge is to be written out on all graded assignments/work at the university and signed by the student. The Honor Code Pledge represents both an expression of the student's support of the Honor Code and an unambiguous acknowledgment that the student has, on the assignment in question, abided by the obligation that the Honor Code entails. In the absence of a written Honor Pledge, the Honor Code still applies to an assignment.

### **Services for Students with Disabilities:** [www.ssd.vt.edu](http://www.ssd.vt.edu)

Students requiring special accommodations should notify the instructor by the end of the first week of class. Any student who requires special exam accommodations is responsible for coordinating the exam time with the instructor and for scheduling the exam reservation with the office of Services for Students with Disabilities (SSD). All exam reservations with the office of SSD must be made at least two weeks in advance or earlier as required by the SSD office.

### **Counseling Support:** <https://www.ucc.vt.edu/>

Students under particular personal or academic stress are encouraged to meet with trained counselors at the Cook Counseling Center. All conversations are confidential. Thomas E. Cook Counseling Center; 240 McComas Hall; (540) 231-6557; Office Hours: Monday through Friday, 8:00 am - 5:00 pm; After Hours Service: (540) 231-6557.

**Computing Services Support:** <http://pampl.in/help>

If you have any technology or computer issues, please fill in a ticket at the above address. The Pamplin IT department is generally prompt and more knowledgeable than a faculty member about these issues.

### **Grading Complaint**

If you have a grading complaint, all revision requests, no matter how small, must be submitted formally in writing, within a week of receiving the grade. I reserve the right to re-grade the entire assignment/exam/case.