



**Course** **Business Valuation (ACCT 6345.001)**  
**Professor** Surya Janakiraman  
**Term** Fall 2014  
**Meetings** Tuesdays, 4:00 – 6:45 PM (SOM 2.901<sup>1</sup>)

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### Professor's Contact Information

**Office Phone** 972 883 6370  
**Office Location** SOM 4.806  
**Email Address** E-learning mail (preferred) OR [suryaj@utdallas.edu](mailto:suryaj@utdallas.edu) (in case you can't access E-learning)  
**Office Hours** Mondays 5:20 PM – 6:20 PM. Tuesdays 2:00 – 3:00 PM. Wednesdays 2:30 – 3:30 PM. Other times by appointment.  
**Other Information** Please use E-learning mail for communicating with me. All important announcements will be posted to E-learning discussion board.

### General Course Information.....

**Pre-requisites, Co-requisites, & other restrictions** ACCT 6201 (formerly AIM 6201) or ACCT 6305 (formerly AIM 6305) or instructor permission

The objective of this course is to provide a framework for business valuation using financial and accounting information. To attain our objective, we will rely on 'fundamental analysis', which implies the use of financial reports and other relevant information to produce pro-forma financial statements and then use them to estimate a value for the business.

This course is intended for students with little or no background in security analysis. If you have had extensive previous experience in valuation (for example, in consulting or investment banking), then this is probably not the course for you. This course is the right course for you if you want to find answers to the following questions:

### Course Description

1. What is the 'intrinsic value' of a firm? How can it be calculated?
2. What are the drivers of firm value?
3. How can one get the necessary information on the drivers of firm value from the financial statements?
4. What is the role of cash flow and accounting earnings in valuation of firms?
5. What role do 'risk' and 'growth' play in firm valuation?
6. Are the simple valuation rules like P/B or P/E ratios valid?
7. What is residual income valuation model and how is it connected to EVA?
8. What is residual operating income model?

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<sup>1</sup> Subject to change. You should check for any update in UT Dallas CourseBook.

This course should be of use to you if you are contemplating a career in investment banking, equity research and security analysis, management consulting, public accounting, corporate finance or venture capital.

- Learning Outcomes**
- 1) Understand how firms generate value and how the value they generate is captured (or not captured) in financial statements.
  - 2) Gain proficiency in the classical valuation models such as dividend and cash flow based valuation models. Understand the limitations of the information in the financial statements that is used as inputs to these models as well as the limitations of these models themselves in not using all the available information.
  - 3) Understand the framework and the principles behind the valuation models that anchor value on accounting variables such as earnings and book value of equity. Gain competency in using the analysis tools that are required to implement these valuation models.
  - 4) Become competent in analyzing the historical financial statements, using that information to project future financial statements and finally translating the projections into the intrinsic value of a firm.

**Method of assessment of learning outcomes**

The first three learning outcomes will be assessed by the exams. The last learning outcome will be assessed by the group assignment.

**Required Texts & Materials**

**Corporate Valuation (Theory, Evidence and Practice)**  
**Holthausen and Zmijewski**  
**Cambridge Publishers (I edition)**  
**ISBN: 978-1-61853-036-3**

**Lecture notes**

I will make my lecture notes and other handouts available to you through the E-learning course home page To access the course materials visit <http://elearning.utdallas.edu/>  
Please **print out a copy of lecture notes** and any other relevant materials (like financial statements or annual reports of assigned companies) and **bring them** to class

## Academic Calendar

Date	Topic	Textbook reading / Assessment
August 26	Introduction to Valuation	Chapter 1
September 2	Financial Statement Analysis and Valuation	Chapter 2
September 9	Measuring Free Cash Flows	Chapter 3
September 16	Creating a Financial Model	Chapter 4
	<b>Quiz 1</b>	<b>Quiz 1 will cover chapters 1 through 3</b>
September 23	Adjusted Present Value and Weighted Average Cost of Capital Discounted Cash Flow Valuation	Chapter 5
September 30	Measuring Continuing Value using the Constant-Growth Perpetuity Model	Chapter 6
October 7	The Excess Earnings Valuation Method	Chapter 7
<b>October 14</b>	<b>Exam I (in class)</b>	<b>Covers Chapters 1 through 7</b>
October 21	Estimating the cost of capital	Chapters 8 and 9
October 28	The effects of Financial Leverage on the Cost of Capital	Chapter 10
November 4	Measuring the Weighted Average Cost of Capital	Chapter 11
November 11	Introduction to Market Multiple Valuation Methods	Chapter 13
	<b>Quiz 2</b>	<b>Quiz 2 covers chapters 8 through 11</b>
November 18	Market Multiple Measurement and Implementation	Chapter 14
November 25	Fall Break (No Class)	
December 2	Mergers and Acquisitions	Chapter 16
December 9 TBA	Course Review <b>Exam II</b>	<b>Exam II covers chapters 8, 9, 10, 11, 13, 14, 16</b> <b>Group project due in class</b>

## Student Assessments

### Grading Information

Points distribution

Exam/quiz/assignment	Points
Quiz 1	45
Quiz 2	45
Exam I	80
Exam II	120
Group project	60
Total	350

### Grading Scale

The following scale reflects, on the average, how points were translated into letter grades, in the past. However, please keep in mind that the cutoff for letter grades do change from year to year and the following scale should be considered as “the expected scale” and not to be treated as “firm commitment”. The scale for any particular semester may change at the discretion of the instructor.

Scaled score	Letter Equivalent
332 and above	A
315 – 331	A-
297 – 314	B+
280 – 296	B
262 – 279	B-
245 – 261	C+
227 – 244	C
Less than 227	F

### Grading Policy

Translation of the total point score into a letter grade will be based on the judgment of the instructor. This translation process will be based on many factors including the student’s relative performance (with respect to the rest of the students in the class), the consistency of performance across all the components of assessment (such as quizzes, exams and assignments), and the standards that are expected in a rigorous master’s program.

### Course Policies

<b>Group Project</b>	Each of you should form a group of no more than five students and select a unique firm to analyze for your final project. You should communicate to me the composition of your group by September 18 <sup>th</sup> . Your project work should reflect your understanding of the principal concepts in the detailed analysis of financial data and the tools and concepts developed in the course. More details about the project will be supplied later. <b>Final project will be worth</b>
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	<b>60 points and is due on the day indicated in the syllabus</b>  There are two exams for this course. The exams will cover essentially what we discuss in the class and they are open book and open notes.
<b>Make-up Exams</b>	<b>There will be no makeup exams. If you know that you are going to be missing an exam, you should inform me ahead of time. Provided you have a valid reason, at my discretion, alternate arrangements may be made.</b>
<b>Extra Credit</b>	<b>Please do not plan for “opportunities” that will let you get extra credit to makeup any shortfall in assignment or exam</b>
<b>Late Work</b>	<b>I will not, ordinarily, accept late assignments.</b>
<b>Class Attendance</b>	<b>It is highly recommended that you are regular to class discussions.</b>
<b>Classroom Citizenship</b>	<b>Active participation in class room is strongly encouraged.</b>

## Course Evaluation

As required by UTD academic regulations, every student must complete an evaluation for each enrolled course at the end of the semester. An online instructional assessment form will be made available for your confidential use. Please look for the course evaluation link on the course Homepage towards the end of the course.

## UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

*These descriptions and timelines are subject to change at the discretion of the Professor.*

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