



Course **Business Valuation (ACCT 6345.501.15F)**
Professor Surya Janakiraman
Term Fall 2016
Meetings Mondays, 7:00 – 9:45 PM (SOM 2.722)

Professor's Contact Information

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Office Hours Mondays 5:30 PM –6:30 PM. Wednesdays 1:00 – 2:00 PM. Other days and 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 or ACCT 6305 or instructor permission
Course Description

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:

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?

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

The ***fifth*** edition of Stephen Penman's *Financial statement analysis and security valuation* (McGraw-Hill Irwin) will be used as the textbook for the course. Some of the problems and exercises from this textbook will be included in your individual assignments. **Make sure that you are purchasing the fifth edition and not the earlier editions of this book.**

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	Remarks
August 22	Introduction to the course. Understanding financial statements:	Chapters 1 and 2
August 29	Use of Financial statements in valuation Relative valuation methods: An introduction	Chapter 3
September 3	Last day for Project groups formation (Group size can be 2 to 5)	
September 5	Labor day (No classes)	
September 12	Dividend discount models	Chapter 4
September 19	Discounted cash flow models	Chapter 4
September 26	Building a cash flow forecast models for valuation	Chapter 4
October 1	Last day for interim report I for group project	
October 3	Market Multiples Valuation methods: Revisit	Chapter 3
October 10	Discount rates in valuation	Chapter 19
October 17	Exam I In class at 7:00 PM	Covers chapters 1, 2, 3, 4, and 19
October 24	Pricing book values	Chapter 5
October 31	A model for anchoring value on earnings	Chapter 6
November 1	Last day for interim report II for group project	
November 7	Valuation and active investing Linking business activities to financial statements	Chapter 7 Chapter 8
November 14	Reformulation of financial statements for valuation	Chapter 9
November 21	Fall Break: No class	
November 28	Reformulation of financial statements for valuation	Chapter 10
December 5	Exam II In class at 7:00 PM	Covers chapters 5, 6, 7, 8, 9, and 10

Group project due

Course Policies

Grading (credit) Criteria	<p>Each of you should form a group of more than one but no more than five students. I will assign a company for you to analyze for your project. Your project work should reflect your understanding of the principal concepts learned in the course as well as the mastery over the tools developed in the course. More details about the project will be supplied later. Final project will be worth 35% of your final grade and is due on the last class for the semester.</p> <p>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. Each exam will account for 32.5% of your final grade.</p> <p>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. The final grade will be a function of average class performance. However, if the average performance is very good, then it won't negatively affect your grades. In the past, my lower threshold for A has been in the range of 85-95%; the lower threshold for B has been in the range of 70-80%; the lower threshold for C has been in the range of 55 - 65 %; a grade less than 55 (and 65 in some years) usually results in F.</p>
Make-up Exams	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.
Extra Credit	Please do not plan for "opportunities" that will let you get extra credit to makeup any shortfall in assignment or exam
Late Work	I will not, ordinarily, accept late assignments.
Class Attendance	It is highly recommended that you are regular to class discussions.
Classroom Citizenship	Active participation in class room is strongly encouraged.

Scholastic Honesty

The University has policies and discipline procedures regarding scholastic dishonesty. Detailed information is available on the [UTD Judicial Affairs](#) web page. All students are expected to maintain a high level of responsibility with respect to academic honesty. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since such dishonesty harms the individual, all students and the integrity of the University, policies on scholastic dishonesty will be strictly enforced.

[Top](#)

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. Towards the end of the semester, you will receive an email that would provide you the necessary information to access the course evaluation form.

[Top](#)

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.