

MGT 282: Topics in Finance - Valuation

Spring 2013

PROFESSOR: Joey Engelberg

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OFFICE LOCATION: 4S151

OFFICE HOURS: Wednesday, 5:00 p.m. – 6:15 p.m. in 4N128 and by appointment

FACULTY ASSISTANT: Camille Tallon [cttallon@ucsd.edu]

COURSE DESCRIPTION

The course focuses on understanding **valuation** in finance. It answers the question: given a set of characteristics, how should an asset be priced?

We will discuss the advantages and disadvantages of several valuation approaches, including the WACC approach, the APV approach, multiples and real option valuation. We also discuss the role capital structure plays in valuation. We will build on the knowledge you already have about some of these topics, but deal with the issues in much greater depth and detail. Moreover, we will focus a substantial part of the course on detailed discussions of case studies. Both lectures and case discussions are vital parts of the course.

The objective of this course is to learn how to apply some of the most important concepts of corporate finance to many practical situations – and, in particular, how to perform various kinds of valuations. Learning by doing will be important. At the end of the course, you should be able to do all types of valuations you are likely to encounter in practice. The course also aims to deepen your knowledge and understanding of other important areas of corporate finance, including capital structure, real options, and financial distress. The course will equip you with the skills and knowledge that everybody practicing corporate finance should have.

Prerequisites: Knowledge of the basic concepts of finance developed in MGT 408

CLASS TIME AND OFFICE HOURS

The class time is Wednesdays from 9 a.m. to 12 p.m. in 3E107. Office hours will be held on Wednesdays in room 4N128 from 5:00 p.m. to 6:15 p.m. If you cannot see me during office hours, please e-mail me for an appointment.

COURSE MATERIALS

1) A course pack with readings and cases.

2) Optional Textbook: Aswath Damodaran, “Investment Valuation”, 3rd edition, John Wiley & Sons, Inc, Hoboken, New Jersey, 2012

3) All other material (e.g., homeworks, articles, etc.) will be posted on RADAR.

EVALUATION AND GRADING:

Homeworks/Cases may be done in groups of no more than five people, with one report per group. For homeworks and cases, please turn in a write-up which is no more than five pages (not including spreadsheet attachments).

There will be one take-home midterm and one in-class final exam. **The final exam will be during class time during finals week.**

All exams must be done individually. Absolutely no collaboration is allowed on the midterm or final.

Grade Distribution:

Class Participation	10%
Midterm	25%
Final	40%
Homeworks (groups)	25%

*There will be 4 homeworks. I will drop your lowest homework grade.

**The final exam is cumulative. If the score on your final exam is higher than your midterm exam score I will replace your midterm score with your final exam score.

ACADEMIC INTEGRITY

Integrity of scholarship is essential for an academic community. As members of the Rady School, we pledge ourselves to uphold the highest ethical standards. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind.

The complete UCSD Policy on Integrity of Scholarship can be viewed at: <http://www-senate.ucsd.edu/manual/appendices/app2.htm#AP14>

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.

The student must present the OSD letter of certification and OSD accommodation recommendation to the appropriate faculty member in order to initiate the request for accommodation in classes, examinations, or other academic program activities. **No accommodations can be implemented retroactively.**

Please visit the [OSD website](#) for further information or contact the Office for Students with Disabilities at (858) 534-4382 or osd@ucsd.edu.

SCHEDULE

The following class schedule is tentative. We will sometimes take a little bit more and sometimes a little bit less time for a topic than planned. I will announce any adjustments in class.

Session 1 (April 3):

Introduction and DCF Valuation

Session 2 (April 10):

DCF Valuation (continued)

Assignment: **Homework #1 Posted, Due Friday April 19th**

Sessions 3 (April 17):

Valuation by Multiples

Assignment: **Homework #2 Posted, Due Friday April 26th**

Session 4 (April 24):

Real Option Valuation

Session 5 (May 1):

Real Option Valuation (continued)

Assignment: **Homework #3 Posted, Due Friday May 10th**

Session 6 (May 8):

Valuation and Capital Structure

Assignment: **Midterm Exam Posted, Due Friday May 17th**

Session 7 (May 15):

Valuation and Capital Structure (continued)

Session 8 (May 22):

Special Topics in Valuation I

Assignment: **Homework #4 Posted, Due Friday May 31st**

Session 9 (May 29):

Special Topics in Valuation II

Session 10 (June 5):

Conclusion and Review

***** FINAL: WEDNESDAY JUNE 12th 9:00 a.m. – 12:00 p.m. in Room 3E107 *****