

**University of Florida
Warrington College of Business**

**Finance 6427
Measuring and Managing Value**

**Fall 2017
Sect. 4947: M, W, Periods 7-8 (HGS 240)
Sect. 4948: M, W, Periods 9-10 (HGS 240)**

Instructor:

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Office Hours: M, W 6th period. I am generally around each day, and if my schedule permits, I am willing to meet with students outside of office hours. If you need to set up a more formal meeting, please call me to set up an appointment.

Course Overview:

Measuring and Managing Value is designed to introduce students to basic valuation concepts, and to demonstrate how these concepts can be used in a variety of business applications. We will primarily focus on value creation from the corporate viewpoint – thus our emphasis will have an “inside” perspective. In contrast, the financial statement analysis class that follows this class will look at many of the same issues from the investors’ viewpoint, and thus will have more of an “outside” perspective.

Measuring and Managing Value applies basic financial theory to the task of valuing assets and creating value through sound financial decision-making. The course reviews some basic concepts and extends their use with practical case applications. With this perspective in mind, the course is designed to be a second-year MBA-level class and/or specialized Masters-level class. The presumption is that everyone has already taken the core finance classes and/or an equivalent set of classes.

Required Materials:

- Textbook: *Valuation: Measuring and Managing the Value of Companies (6th edition)* – Koller, Goedhart and Wessels (we will often refer to this as the “McKinsey book”)
- Course pack of cases (available at Target copy).
- Throughout the term, I will periodically post class notes and other information on the class website.
- Financial Calculator. Students are also expected to be familiar with basic spreadsheet applications.

The financial calculator will be necessary for the exams and it will also be helpful in those circumstances when you need to make a quick calculation, but you don't have easy access to a spreadsheet program. I am not requiring or recommending a specific calculator – any model is fine as long as it does the basic time value of money functions and the cash flow (NPV, IRR etc.) functions.

All students are expected to regularly attend class and to complete the assigned readings before class. Moreover, students should be ready and prepared to participate in class discussion.

Course Requirements:

Cases

Throughout the term, we will cover two cases, both of which can be found in your course pack. These cases highlight a variety of situations facing leading companies. In working through the cases, you will be forced to apply many of the concepts discussed in the readings, class lectures, and in previous classes. You will quickly see that a lot of interesting complications arise when you try and apply these concepts in a real world setting.

The cases are group assignments, and the groups will be arranged during the first week of class. For each of the cases, I will assign a short write-up that you are expected to turn in electronically at 11:45 a.m. on the date that the case is due. The cases will represent 20% of your final grade (10% for each case).

Examinations

The exams will consist of a series of problems and short-answer questions. All materials covered in class and in the assigned readings are fair game. The exams are closed book, but you will be allowed to bring in a one-page (standard 8.5 X 11 inch) “cheat-sheet”, in which you can write or type any information that you think might be helpful.

The first exam will count for 35% of your course grade. The second examination will count for 45% of your course grade. The first exam will take place during the regular class period scheduled for September 13. The second exam will take place on October 4 during the regular class period in our regular classroom.

Grading

Once again, your final course grade will be determined based on the following weights:

Case Write-ups (2 cases, 10% each)	20%
First Examination	35%
Second Examination	45%

Grading Distribution for the Cases:

The case grades will be assigned using the following scale:

93 -100%	A
90-92.99%	A-
87-89.99%	B+
83-86.99%	B
80-82.99%	B-
77-79.99%	C+
73-76.99%	C
70-72.99%	C-
67-69.99%	D+
63-66.99%	D
60-62.99%	D-
< 60%	E

Grading Distribution for the Examinations:

The scale for the exams is not pre-set. Instead, the exams will be curved to insure that the overall class GPA is roughly within the target GPA for the class (3.2-3.5).

Students are expected to regularly participate in class discussion, and to be productive contributors to their group assignments. Evidence to the contrary will lead to a lowering of course grades.

Please note that both plus and minus grades may be assigned. The following website summarizes the current UF grading policies for assigning grade points:

<https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

Tentative Course Schedule: (this schedule is very tentative and subject to change):

<u>Date</u>	<u>Course Topic</u>	<u>Text Reading</u>	<u>Other Reading</u>	<u>Assigned Items</u>
8/21	Course Overview, A Framework for Creating Value	1-5		
8/23	Alternatives to Value: Debunking Some Common Fallacies	1-5		
8/28	Measuring Value	8, 12, 14		
8/30	Measuring Value, Vyaderm Pharmaceuticals Case	8, 12, 14	Vyaderm Pharmaceuticals Case	CASE
9/4	LABOR DAY – NO CLASS			
9/6	Measuring Value, Cost of Capital	8,12, 14,13		
9/11	Sources of Value	6,7, Skim 9		
9/13	FIRST EXAM			FIRST EXAM
9/18	Using Multiples for Valuation	16		
9/20	Valuing Flexibility: Capital Budgeting, Real Options and Value Creation	35		
9/25	Valuing Flexibility: Capital Budgeting, Real Options and Value Creation, Whole Foods Case	35	Whole Foods Case	CASE
9/27	Mergers and Divestitures	27-28		
10/2	Communicating Value, Creating Value in Large Organizations	30		
10/4	SECOND EXAM			SECOND EXAM