

FIN 6427 Measuring and Managing Value

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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. 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 (3rd edition)* – Tom Copeland, Tim Koller and Jack Murrin (we will often refer to this as the “McKinsey book”).
- Coursepack of cases and outside readings (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 final exam 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.

Class Attendance and Participation:

As a discussion/case-oriented class, we rely heavily on class discussion. This class is not designed to be the type of class where you can frequently miss class, but catch up at the end of the term by reading through the text and written notes provided by instructor. No formal notes will be provided, nor is there a “testbank” of old exams. At this point in your life, your primary emphasis should be on learning the material and developing skills that will help you in the months and years following graduation.

Cases:

Throughout the term, we will cover a number of cases. These cases, which can be found in your course pack, have been written by authors at the Harvard Business School and the Darden School at the University of Virginia. 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.

At the beginning of the term, we will randomly assign each of you to a case group that consists of 4-5 students. For five of the cases, I have assigned a short write-up that your group is expected to turn at the beginning of the class in which the case is discussed. I understand that you all have busy schedules with multiple obligations. With this concern in mind, you are allowed to skip one of the case write-ups. Consequently, only the top four case grades will count as part of the overall class grade.

If done correctly, you will find that the cases are both a lot of work, and quite interesting. For the cases to be successful, all students have to be prepared, and to be willing to be active and constructive members of the group. Because of other obligations, or just general laziness and indifference, some students may be tempted to free ride on the efforts of others. In order to stem this behavior, I will give you all the opportunity to anonymously evaluate the contributions of your fellow group members at the end of the term. I reserve the right to significantly lower the grades of students who demonstrate a lack of performance in this area (through their performance in class and/or through their group evaluations).

The four case write-ups are each worth 10% of your final course grade.

In-class Quizzes

During the term, we will have two short in-class quizzes. The quizzes will focus on the material to date, and are designed to make sure that you understand the material, and to help keep you prepared for the final exam.

The quizzes are closed book, but you are allowed to bring a calculator and a 1-page (front and back) "cheat sheet", in which you are free to write any information that you feel is helpful. You are not permitted to type or photocopy anything onto the cheat sheet, and you must turn your cheat sheet in with the quiz.

The two in-class quizzes are each worth 10% of your final course grade. However, if it helps your grade, I will drop your lowest quiz score and have the final exam count for an extra 10% of your final grade. We will automatically select the weighting scheme that maximizes your course grade. There are no make-ups for the quizzes, if you need to miss a quiz, that quiz will automatically be dropped. You do not need to let us know in advance that you will miss a quiz, but please note that you can only drop both quizzes, so if you miss both quizzes you will receive a zero for the one quiz that you cannot drop.

Final Examination

A comprehensive final examination will take place at the end of the term, during the final exam schedule period. The exam will consist of a series of problems and short answer

questions. All materials covered in class and in the assigned readings are fair game – I will give you more guidance as the term progresses.

The exam will be closed book, but you are allowed to bring a calculator and a 1-page (front and back) “cheat sheet”, in which you are free to write any information that you feel is helpful. You are not permitted to type or photocopy anything onto the cheat sheet, and you must turn your cheat sheet in with the exam.

The final examination will account for either 40% or 50% of your final class – depending on whether it makes sense for you to drop one of your quiz grades.

Grading:

Your final course grade will be determined as follows:

4 Case Write-ups (10% each)	40%
2 In-Class Quizzes (10% each)	10 -20%
In-Class Final Examination	40 -50%

Once again the weighting will depend on whether or not it makes sense for you to drop your lowest quiz grade.

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.

Closing Thoughts:

I assume that you like finance a lot – otherwise you wouldn't be enrolled in this class! I also assume that you have a solid understanding of the basics, and that you are eager to apply these concepts in a class environment where there are fewer lectures and more discussion. With this in mind, I have put together a class that I think will be rigorous, relevant and hopefully a lot of fun.