

Georgia Institute of Technology
College of Management
Course Syllabus

Course: Security Valuation (MGT 3075)
Term: Spring 2012
Time: Mon/Wed, 4:35 – 5:55pm
Classroom: 203 Management Building
(Tech Square)

Professor: Nishant Dass
Office Hours: Mon/Wed, 3:05 – 4:25pm
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Objective:

The objective of this course is to learn the fundamental principles of Valuation. While the course is called Security Valuation, and indeed the initial few classes will be spent on those, the course will actually span a much wider area. Specifically, we will look at Valuation much more broadly – including valuation of enterprises.

By the end of this course, you are expected to be able to tackle just about any valuation problem and have some basic understanding of the more advanced techniques (such as Real Options). The topics that are covered here include, but are not limited to, 1) Valuing the two main types of securities – stocks and bonds; 2) Discounted Cash Flow method; 3) Capital Asset Pricing Model; and 4) Weighted Average Cost of Capital.

Prerequisites:

MGT 3062 or MGT 3078.

Required Materials:

Textbook: Assortment of Chapters from **Valuation: The Art and Science of Corporate Investment Decisions** by Sheridan Titman and John Martin (2nd edition, ISBN 0136117015), and from **Corporate Finance** by Jonathan Berk and Peter DeMarzo (2nd edition, ISBN 0132745097). The resulting text is especially compiled by the professor for this course, and may be purchased like any other textbook from the bookstore.

Supplementary Material: Two (2) Harvard Business School Case Studies to be purchased directly from the Harvard Business Publishing website.

Outside reading: Either The Wall Street Journal or The Financial Times

Recommended Textbooks:

Valuation: Measuring and Managing the Value of Companies, by Tim Koller, Marc Goedhart, and David Wessels; John Wiley 5th edition (ISBN 0470424656)

Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, by Aswath Damodaran; John Wiley 2nd edition (ISBN 0471414883) – 3rd edition due soon

Deliverables and Grade Composition:

Midterm Exam – I	25%
Midterm Exam – II	25%
Final Exam	25%
Bloomberg Certificate	10%
Participation	15%

Your final grade will be based on your *relative* performance in the class. Distribution of grades will be such that the top 30% students would receive an A, the next 50% would receive a B, and the remaining 20% would comprise the bottom grade categories. But this is not written in stone; this is only mentioned for you to gauge where you roughly are with respect to the grade you desire.

Midterm Exams

The Midterm Exams are scheduled at roughly one-third and two-thirds of the way through the course.

Final Exam

The Final Exam will **not** be cumulative. It will only include topics that are covered after the 2nd midterm. As per Institute Policy, it can only be scheduled during the Finals Week.

If you miss either the Midterms or the Final Exam *without prior permission*, zero points will be assigned for that exam. Absolutely no excuse will be accepted unless you have prior written approval from the Dean of Students. If the Dean of Students declines to approve your excuse, then your excuse will be deemed invalid. If you do have a valid and approved reason for absence from the exam, then inform me soon to re-schedule your exam.

Participation

Class participation (such as engaging in discussion, answering my questions, or asking meaningful questions) will be recorded systematically. There will also be periodic assignments (either take-home or in-class). Both of these will count for up to 15 points.

Honor Code:

Students must abide by the Georgia Tech Honor Code. You can read more about it at www.honor.gatech.edu

Class Etiquette:

I would like you to show some basic courtesy to your fellow classmates by avoiding the following types of behavior: arriving late for class, leaving during class, chatting during class, sleeping during class, using laptop or any other electronic device during class, and most importantly, allowing your cellular phones to ring! Uninvited guests (such as your friends) are not allowed in the class without my prior permission.

Attendance Policy:

I will take attendance in every class starting the second week of classes. Every class that you miss will result in a “-1” point, i.e., if you miss, say, 6 classes, then your aggregate at the end of the semester will be lowered by 6 percentage points and your final letter grade will be based on this reduced aggregate score.

LIST OF **POTENTIAL** TOPICS

Module I

Introduction to Financial Statement Analysis
Case Study #1 -- Chemalite
Law of One Price (LOOP)
The Time Value of Money
Valuing Bonds and Stocks
Forecasting and Valuing Cash Flows
Investment Decision Rules
Case Study #2 -- Lockheed

Module II

Estimating Growth and Terminal Value
Project Risk Analysis
Capital Asset Pricing Model (CAPM)
Estimating a Firm's Cost of Capital
Estimating Required Rates of Return for Projects
Relative Valuation Using Market Comparables
Enterprise Valuation
Valuing Financial Services Firms

Module III

Valuation in a Private Equity Setting
Financial Options
Option Valuation
Real Options

IMPORTANT DATES

16 th Jan	MLK Holiday – no class
8 th Feb	Midterm 1
2 nd Mar	Drop date
12 th Mar	Midterm 2
14 th Mar	No class due to prior travel commitment
19 th and 23 rd Mar	Spring Break – no classes
25 th Apr	Last day of class
30 th Apr – 4 th May	Finals Week