

BA 4829/5829-VALUATION, Models and Applications
Course Schedule (WF 12:40-14:15)

Instructor:	Adil ORAN
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Office Hours:	W 14:40-15:30, Th 10:30-12:00, or by appointment
Course Web Page:	http://adiloran.com/
Course Description:	
<p>This is a course that will be invaluable to individuals planning a career in finance and still very beneficial for everyone else. The objective of the course is to help students answer the question:</p> <p style="text-align: center;">WHAT IS IT WORTH?</p> <p>Valuation will be examined for all sorts of assets and with many different models. Upon completing this course students will be able to develop answers to this question for almost any asset. Even though the DCF models will form the basis of the course, many other models will also be reviewed and reconciled. Understanding the factors that determine the value of an asset will also aid managers in understanding the effects of their decisions better.</p>	
Course Student Learning Objectives: (CSLOs)	
<p><i>Upon successful completion of this course, students should be able to:</i></p> <p>Course Specific Skills:</p> <ol style="list-style-type: none"> 1. Understand the underlying assumptions and factors that affect a valuation. 2. Determine what Valuation approaches are best suited to the task at hand. 3. Estimate and utilize components like Cash Flows and discount rates in actual valuations. ⋮ <p>Discipline Specific Skills:</p> <ol style="list-style-type: none"> 4. Understand the theory behind valuation to allow proper valuations to be done. 5. As a result of better understanding valuations, help managers understand the effects of their managerial decisions. ⋮ <p>Personal and Key Skills:</p> <ol style="list-style-type: none"> 6. Develop problem solving skills. 7. Develop writing and discussion skills. 8. Learn to apply the abstract concepts learned in the classroom to real world cases. ⋮ 	
Learning and Teaching Methods:	
This course is going to make use of formal lecturing, in-class discussions, quizzes and problem solving.	
Required Reading:	
Aswath DAMODARAN, Investment Valuation 3rd ed., Wiley Publishing, 2012.	
Suggested Reading:	
...	

Assessment and Grading:				
Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
Mid-Term	%25	120-minute essay-type examination	1-8	Written and oral (during office hours)
Final	%25	120-minute essay-type examination	1-8	Written and oral (during office hours)
Valuation case study	%25	10-15 page written report	1-8	Written and oral (during office hours)
Classwork, Quizzes, and Assignments	%25	Class participation, Quizzes and Homework Assignments	1-8	Written and oral (during office hours)

No "extra" work above the aforementioned will be accepted or credited.

Makeup Examinations: If you miss an exam you should prove that you have a valid reason with a valid document, i.e. doctor's report. In this circumstances please make sure you notify me before the exam or as soon as possible after the exam. All students who missed an exam with a valid reason during the semester will be asked to take a comprehensive exam that will be given during the period of final exams regardless of which exam they missed during the semester.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:

Class Participation: The students will be assigned readings from the textbook and are expected to come to class prepared and ready to take part in class discussions. Therefore, attendance is strongly recommended in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

Exams: There will be one midterm exam and a final in this lecture. The exams will be closed notes, closed book basis. You will be given a formula sheet.

Quizzes: There will be unannounced quizzes during some classes. You will be asked one or two questions about the material covered in that lecture or the previous lectures. There won't be any make-up quizzes.

Assignments: There will be a number of assignments throughout the semester to help you learn the covered material.

Case Project: A Valuation Case Study for a firm of your choice, to be submitted at the end of the semester.

STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MSc degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case

to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR! <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
		Introduction	Chapter 1: Introduction to Valuation	1-8
			Chapter 2: Approaches to Valuation	1-8
		DCF Valuation: Estimating Parameters r_f	Chapter 7: Riskless Rates and Risk Premiums	1-8
		Beta	Chapter 8: Estimating Risk Parameters and Costs of Financing	1-8
		CFs	Chapter 9: Measuring Earnings	1-8
		CFs	Chapter 10: From Earnings to Cashflows	1-8
		g	Chapter 11: Estimating Earnings Growth	1-8
		Terminal Value	Chapter 12: Closure in Valuation: Estimating Terminal Value	1-8
		DCF Valuation: Valuation Examples	Chapter 13: Dividend Discount Models	1-8
		FCFE	Chapter 14: Free Cashflow to Equity Discount Models	1-8
		FCFF	Chapter 15: Valuing a Firm: Free Cashflow to Firm and APV Models Chapter 16: Estimating Equity Value Per Share	1-8
			Chapter 21: Valuing Financial Services Firms Chapter 22: Valuing Firms with Negative Earnings Chapter 23: Valuing Young and Start-up Firms	1-8
		Midterm exam		
		Relative Valuation	Chapter 17: Fundamental Principles of Relative Valuation	1-8
		Multiples	Chapter 18: Earnings Multiples	1-8
		Multiples	Chapter 19: Book Value Multiples Chapter 20: Revenue and Sector-specific Multiples	1-8
		Option Pricing Applications	Chapter 5: Option Pricing Theory and Models Chapter 28: The Option to Delay and Valuation Implications Chapter 29: The Option to Expand and Abandon: Valuation Implications Chapter 30: Valuing Equity in Distressed Firms	1-8