

**FIN 4318**  
 Financial Analysis of Firm and Valuation  
 Course Syllabus - Fall 2024  
 (tentative & subjective to change by the professor)

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**CLASS HOURS:** 10:30 – 11:50 am, Tuesdays (T) & Thursdays (R), Room 318

**OFFICE HOURS:** 1:30 – 2:30 pm Tuesdays & Thursdays, and by appointment.

**RECOMMENDED TEXTBOOKS:**

1. *Damodaran on Valuation*. 1<sup>st</sup> or 2<sup>nd</sup> edition, by Aswath Damodaran. John Wiley & Sons.

Please use the link below to access NYU open source course materials:

[https://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/dam2ed.htm](https://pages.stern.nyu.edu/~adamodar/New_Home_Page/dam2ed.htm)

2. *Fundamentals of Corporate Finance*, 12<sup>th</sup> or 13<sup>th</sup> ed. (standard), by Ross/Westerfield/ Jordan. McGraw-Hill

**REQUIRED READINGS:**

Reading materials from the CFA Institute (forthcoming)

Prerequisite: FIN 3310 or equivalent preparation and permission of the instructor

**COURSE DESCRIPTION** (catalog)

Financial Analysis of the Firm and its Valuation: An advanced inquiry into the techniques of analysis of the firm's book and market values, and new investments. The analysis of book value based on historical performance concentrates on the techniques of analysis of the firm's accounting financial statements as an aid to extraction and evaluation of information for interpretation and decision-making by lenders, investors, and others. The analysis of market value based on expected performance concentrates on the fundamental techniques of analysis of the firm's bonds and stocks, inclusive of their pricing theorems, reinvestment rate assumptions, effects on price-earnings multipliers, and implications of the valuation of the firm's growth rate. Finally, the analysis of new investments on the firm's market value concentrates on the capital budgeting process, inclusive of cash flows, risk, and capital costs.

**COURSE LEARNING OBJECTIVES**

Upon successful completion of the course, students should be able to

- Understand the macro factors that drive the value of a firm.
- Understand, analyze and interpret financial statements and financial ratios.
- Understand and apply basic valuation models, i.e. Relative Valuation models (multiples) and Discounted Cash Flow models (DCF)
  - DCF approach – forecast EPS and FCFF/FCFE, WACC, growth rates, terminal values, etc.
  - Using multiples - **PE, PEG, EV/EBITDA**, M/B, P/S, P/CF
- Write a professional analyst report and present it in a professional setting.

**GRADE COMPONENTS:**

Attendance	10%
Homework assignments	20%
Midterm	25%
Final exam	25%
Analyst Report & Presentation - group	20%
<b>Total</b>	<b>100%</b>

*Attendance:* Attendance is very important for this class and will be taken randomly throughout the semester and through impromptu quizzes. *If you miss  $N$  classes, you will lose  $N$  attendance points ( $N < 6$ ). If you miss 6 or more classes, you will lose all 10 attendance points.*

*Homework assignments:* Several homework assignments will be given. Details to come.

*Exams:* Two exams will be given and the weighting scheme is described above.

*Group research report:* Students will self-organize into groups of 4-5 members per group. More details to come. 4-5 highly motivated students will be selected to participate in the CFA Institute Research Challenge Southwest Regional (details to come).

**MAKE-UP POLICY:** Make-up exams will only be considered under extraordinary circumstances and on a case-by-case basis. Documentations are required in most situations.

### **DROP POLICY:**

To drop this class, please contact the Registrar's Office to initiate the drop process. If you cannot complete this course for whatever reason, please contact me. If you do not, you are at risk of receiving an "F" for the course. Drop/Withdrawal deadline is **Friday, November 1, 2023**.

### **ACCOMMODATIONS POLICY- CASS**

The University is committed to providing reasonable accommodations and auxiliary services to students, staff, faculty, job applicants, applicants for admissions, and other beneficiaries of University programs, services and activities with documented disabilities in order to provide them with equal opportunities to participate in programs, services, and activities in compliance with sections 503 and 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act (ADA) of 1990 and the Americans with Disabilities Act Amendments Act (ADAAA) of 2008. Reasonable accommodations will be made unless it is determined that doing so would cause undue hardship on the University. Students requesting an accommodation based on a disability must register with the [UTEP Center for Accommodations and Support Services \(CASS\)](#).

### **SCHOLASTIC INTEGRITY**

Academic dishonesty is prohibited and is considered a violation of the UTEP Handbook of Operating Procedures. It includes, but is not limited to, cheating, plagiarism, and collusion. Cheating may involve copying from or providing information to another student, possessing unauthorized materials during a test, or falsifying research data on laboratory reports. Plagiarism occurs when someone intentionally or knowingly represents the words or ideas of another as ones' own. Collusion involves collaborating with another person to commit any academically dishonest act. Any act of academic dishonesty attempted by a UTEP student is unacceptable and will not be tolerated. All suspected violations of academic integrity at The University of Texas at El Paso must be reported to the [Office of Student Conduct and Conflict Resolution \(OSCCR\)](#) for possible disciplinary action. To learn more [HOOP: Student Conduct and Discipline](#).

### **CAMPUS CARRY**

Persons who hold a Concealed Handgun License can lawfully carry their gun into a UTEP classroom as long as it remains concealed. Open carry remains prohibited on campus. Should you feel someone is intentionally displaying a gun (or any other weapon for that matter), do not hesitate to call Campus Police (X 5611) or 9-1-1. For more information on campus carry, see <http://sa.utep.edu/campuscarry/>; for more information on overall campus safety, see <http://admin.utep.edu/emergency>.

## Tentative Course Calendar and Outline

### Important notes:

- Fall Drop/Withdrawal deadline: **Friday, November 1, 2024**. Note: Student-initiated drops are permitted after this date, but the student is not guaranteed a grade of W. The faculty member of record will issue a grade of either W or F based on UTEP's applicable policy.
- Submit all homework assignments via Blackboard. Late homework is accepted at 50% grade deduction.

Week	Date	Day	Topics/Activities
Week 1	27-Aug	T	Course overview
	29-Aug	R	Assigned companies & download financials
Week 2	3-Sep	T	Financial analysis - Ratio analysis
	5-Sep	R	Ratio analysis (cont.)
Week 3	10-Sep	T	Introduction to valuation
	12-Sep	R	Introduction to valuation (cont.)
Week 4	17-Sep	T	Intrinsic value – DCF: working out the models
	19-Sep	R	DCF – estimating cash flows
Week 5	24-Sep	T	DCF – estimating cash flows (cont.)
	26-Sep	R	WACC estimation
Week 6	1-Oct	T	WACC estimation (cont.)
	3-Oct	R	DCF: Stable growth model - examples
Week 7	8-Oct	T	% sales forecasting
	10-Oct	R	% sales forecasting (cont.)
Week 8	15-Oct	T	Review for the midterm exam
	<b>17-Oct</b>	<b>R</b>	<b>Midterm</b>
Week 9	22-Oct	T	Post-midterm review and group projects
	24-Oct	R	DCF: two-stage FCFF/FCFE models
Week 10	29-Oct	T	DCF: two-stage FCFF/FCFE models (cont.)
	31-Oct	R	Intro to relative valuation
	1-Nov	Friday	<b>Last day to drop with a "W"</b>
Week 11	5-Nov	T	Valuation using multiples: P/E & PEG
	7-Nov	R	Valuation using multiples: P/E & PEG (cont.)
Week 12	12-Nov	T	Valuation using multiples: EV/EBITDA
	14-Nov	R	Valuation using multiples: P/S, P/B, P/CF
Week 13	19-Nov	T	P/S, P/B, P/CF (cont.)
	21-Nov	R	Group presentation
Week 14	26-Nov	T	Group presentations
	28-Nov	R	Happy Thanksgiving – no class
Week 15	3-Dec	T	Group presentations
	5-Dec	R	<b>Review for final exam - last day of class</b>
<b>Final exam</b>	<b>12-Dec</b>	<b>R</b>	<b>10:00 am -- 12:45 pm (official date/time)</b>