

FIN 4318
 Financial Analysis of Firm and Valuation
 Syllabus (tentative)
 Spring 2023

Dr. Zuobao “Eddie” Wei, CFA
 Rm#236 COBA; (915) 747-5381; zwei@utep.edu

CLASS HOURS: 10:30 – 11:50 am, Mondays (M) and Wednesdays (W), Room 313

OFFICE HOURS: 1:30 – 3:00 pm MW & by appointment.

RECOMMENDED TEXTBOOKS:

1. *Damodaran on Valuation*, 1st or 2nd 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

2. *Valuation*, 7th edition, by Koller/Goedhart/Wessels. John Wiley & Sons. ISBN: 9781119611868
3. *Fundamentals of Corporate Finance*, 11th or 12th ed. (standard), by Ross/Westerfield/ Jordan. McGraw-Hill

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)
 - Using multiples - PE, PEG, M/B, P/S, P/CF, EV/EBITDA
 - DCF approach – forecast earnings and free cash flows, WACC, growth rates, terminal values, etc.
- Write a professional analyst report and present it in a professional setting.

GRADE COMPONENTS:

Impromptu quizzes & attendance	10%
Homework assignments	15%
Midterm exam	20%
Final exam	30%
Analyst Report - group	25%
Total	100%

Attendance/participation/homework/quizzes: Attendance will be taken randomly throughout the semester and through impromptu quizzes. Several homework assignments will also be given. Details to come.

Exams: Two exams (midterm and final) will be given and the weighting scheme is described above.

Group research report: Students will self-organize into groups of 3-5 members per group. More 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 **Thursday, March 30, 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](#).

UTEP COVID POLICY

If you are tested positive for Covid-19 or have close contact with someone who is tested positive, please report to CovidAction@utep.edu to establish records. These records are required to be excused from Covid-related absences and/or making up missed assignments and exams. For more Covid-19 information, please go to <https://www.utep.edu/chs/shc/covid-19-information.html>

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>.

**FIN 4318 Firm Analysis and Valuation
Course Calendar and Outline**

Important dates

- Thursday, March 30, 2023: drop/withdrawal deadline. An “F” grade will be issued for withdrawal after this day, with the exception of extraordinary circumstances or total withdrawal from UTEP.
- Submit all homework assignments via Blackboard. Late homework is accepted at 50% grade deduction.

Week	Date/Day	Topics/Activities	Assignments
Week 1	1/18 W	Part one	
	1/23 M	Financial analysis – ratio analysis	
Week 2	1/25 W	Intro to valuation	
	1/30 M	Intrinsic value - DCF	
Week 3	2/01 W	- WACC estimation	
	2/06 M	- % sales forecasting	
Week 4	2/08 W	- FCFF/FCFE estimation	
	2/13 M	- Stable growth model	
Week 5	2/15 W	- Two-stage model	
	2/20 M	- Scenario/sensitivity analyses	
Week 6	2/22 W		
	2/27 M		
	3/01 W		
Week 7	3/06 M	Review for midterm	
	3/08 W	Midterm exam	
Week 8	3/13 M	Spring Break	
	3/15 W	Spring Break	
Week 9	3/20 M	Part Two	
	3/22 W	Relative valuation	
Week 10	3/27 M	Using multiples:	
	3/29 W	P/E, P/S, P/B, P/CF, PEG, EV/EBITDA	
Week 11	4/03 M		
	4/05 W		
Week 12	4/10 M		
	4/12 W		
Week 13	4/17 M		
	4/19 W	Group presentations	
Week 14	4/24 M	Group presentations	
	4/26 W	Group presentations	
Week 15	5/01 M	Group presentations Group Analyst Report due	
	5/03 W	Last day of class-Review for final exam	
Week 16		Final exam – official date/time	