

## **Course Description: FINA 7A10, “Intermediate Corporate Finance: Valuation” [temporarily listed as FINA 7A97]**

Building on the core finance class (FINA 6A35), we develop and use standard valuation tools based on "discounted cash flow" techniques: valuation using the WACC (weighted average cost of capital), valuation using the APV (adjusted present value), and (to a lesser extent) valuation using the cash-flow-to-equity approach. We will develop the ideas and tools, and we will apply this knowledge when working on in-class problems, individual and team assignments, and case studies. You learnt about the basics of valuation in the core class, FINA 6A35. This course will go into much more depth and tackle much more realistic situations.

*Valuation* is the central theme in this course: In order to make or understand financial decisions, you need to examine what consequences they have (we will focus on risky future cash flows) and how to compare the alternatives. You need to practice the proper approach to valuation: forecast expected future cash flows, and estimate the appropriate discount rate for that cash flow stream. The "value" of an asset is then estimated as the present value of the cash flows it generates, discounted using the appropriate discount rate. The valuation techniques we will use go beyond that, by building in the effects of tax shields and other "side effects" of financing decisions.

A lot of this work is technical (requiring calculations, usually with spreadsheet software), but it is not technically difficult. Of course, you have to master the techniques. But what makes this work hard is that it requires that you apply experience and common sense. You have to make many assumptions, and it is important to decide carefully and to explain your assumptions in your work. So despite being based on number, valuation often seems more like an art than a science. You will have plenty of opportunities to practice your skills when working on the case studies (and when discussing them in class).

This course is essential for anyone planning a career in finance, whether at a corporation or a financial institution. It is recommended for all business students, since any decision made in corporations may add or destroy value, and this course will improve your ability to judge whether value is being added or destroyed. The techniques developed here will be the foundation for the advanced corporate finance courses, including FINA 7A30 (Advanced Corporate Finance) and FINA 7A33 (Mergers and Acquisitions).

Note: **This course is a prerequisite** for FINA 7A30 (Advanced Corporate Finance) and FINA 7A33 (Mergers and Acquisitions) [both are temporarily listed as FINA 7A97]. Do not register for those classes without first having taken FINA 7A10.