

FINA 7A97 Advanced Valuation: Principles and Practices

Instructor: Pius Pius K. Leung, CCIM, CPM, MRICS, CIPS

Spring 2015 Semester: S2, (second ½ Spring 2015 semester) Thursday Nights, 6:00-9:00 PM

Section Number: 25791

UNIVERSITY of
HOUSTON

C. T. BAUER COLLEGE of BUSINESS

FINA 7A97 Advanced Valuation: Principles and Practices

Section Number: 25791

Location: Melcher Hall # 118

- 1 ½ Credits
- Elective Course
- Pre-requisites: Graduate standing and completion of courses:
FINA 6A35 *Managerial Finance* and FINA 7A10 *Intermediate Corporate Finance: Valuation*

Instructor: Pius K. Leung, CCIM, CPM, MRICS, CIPS

Office Hours: (office hours: by appointment)

Telephone: (713) 305-1783 (office)

Email Address: Pius Leung <pkleung@ccim.net>

Email is the best way to communicate with me off hours, I will always read your Email (even if I don't respond). You are rolling the dice with me if you call and leave a voice mail. If you wish to meet in person, I prefer we meet prior to class on Thursdays, and please let me know in advance.

General Info: This course, FINA 7A97 *Advanced Valuation: Principles and Practices*, builds on the FINA 7A10 *Intermediate Corporate Finance: Valuation* course, which introduces standard valuation tools based on “discounted cash flow” techniques. The learning goal of FINA 7A97 is to fully develop the knowledge and skills associated with valuation of financial assets and projects. The course is structured to intensively develop the underlying valuation concepts as well as analytic methodologies through in-class problems, and case study exercises. This “applied” course will draw examples and case studies from a variety of industry sectors, including real estate and energy. After completion of this course, student will be able to understand and calculate internal rate of return and net present value from a practical sense when evaluating investment alternatives.

Required knowledge and skills:

- Developing cash flow projection models and valuation methodologies.
- Financial analysis calculations using standard calculators, pen and paper

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Course Objectives:

Based upon practical skill exercises and case studies, students will be able to: determine the value of investments using the following discounted cash flow techniques:

- Weighted Average Cost of Capital Valuation
- Adjusted Present Value, and
- Cash Flow to Equity Valuation

Students will be able to do practical exercises in the following investment capital structures and tax status:

- Total capital, pre-tax
- Leveraged, pre-tax
- Leveraged, after-tax

Text: Reference materials, exercises and case studies will be provided to students in the course content.

Attendance and Participation:

Class attendance is mandatory. I expect you to arrive on time for the class but if you arrive late, please do so in way that does not disturb the class. I encourage you to participate in the class. Don't be shy about asking questions to clarify what we are discussing. Every lecture and the course as a whole build on what we learned previously, so being lost gets very costly very quickly. Active class participation will increase your learning experience and will benefit others including the professor. 20 points of your grade in assigned to attendance and participation, and is subjectively graded by the professor, however, for every class you miss, 10 points will be deducted (if you miss more than 2 classes, you will receive 0 points).

Blackboard:

The University of Houston's Blackboard system will be an important communication link for students in this class. Announcements are posted and reflect schedule changes, articles and other resources needed to fully understand the topics discussed.

Students should use the "Discussions" to post any class material questions. This process allows the entire class community to benefit from these information exchanges, and will limit repetitive questioning from individual sources. I will also post articles on occasion and start discussions about them. Participation in these discussions is a part of your participation grade discussed above.

Case Studies:

Case studies are used to convey the course concepts and reinforce the principles. The cases will vary in their degree of complexity. Case assignments are graded as discussed below. As required with forum posts, case assignments are for a group or as an individual assignment. In order to receive full credit for the case assignments, please follow the

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directions for each case when assigned. All work must be originally produced for this course either by the group or individually.

Quizzes:

Quizzes are an important learning tool for this practice based course, see course calendar for schedule of quizzes. Since class participation is required, quizzes cannot be made up. If you are absent from class, no credit will be given for the quiz.

Projects:

Projects may be included in course and if included, are critical components to the course. It provides a simulated, real-world experience commonly found in the market. This is the type of work employers' demand. It will offer you the opportunity to deepen your understanding of subject, the business, and develop necessary skills for practice.

Style Guide:

Please prepare all writing assignment in a word processing program. Before posting to forums or other electronic mediums, prepare the draft with a word processing program (double spaced, 12 point font with one inch margins). All documents must comply with formatting in accordance with MLA or APA guidelines presented in the respective style guide. Feel free to use either style guide. It is good practice to stick to one guide through the semester.

When preparing financials, please use Microsoft Excel or another spreadsheet program. Spreadsheets can be inserted into word processing documents for submission. Also see <http://office.microsoft.com/en-us/word-help/link-or-embed-an-excel-worksheet-HA010120810.aspx> for additional assistance.

All submissions should be free of spelling and grammar errors, well organized, and easy to follow.

Grading:

The course assignments and participation points are as follows:

- In-class attendance and participation 20 points (see notes above)
- Quizzes (2 total) 25 points (graded/credit)
- Homework 10 points (graded/credit)
- Final Exam 45 points (graded/credit)

Total points **100** Points

The total points earned will translate into one of the following letter grades for the course:

93 – 100 = A	77 – 79 = C+
90 – 92 = A-	73 – 76 = C
87 – 89 = B+	70 – 72 = C-
83 – 86 = B	60 – 69 = D
80 – 82 = B-	

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December 1, 2014

Course Schedule

Class:	Topics	Activities (In-class)	Assignment Due (Before Class)
1 3/26/15	<ul style="list-style-type: none"> • Introduction • Review Concepts from FINA7A10 • Investor preferences • Time value of money • Introduce CCIM T-Bar • Six functions of the dollar • Discounted cash flow analysis – Internal Rate or Return (IRR) • Net Present Value (NPV) 	<ul style="list-style-type: none"> • Time value of money exercise • DCF exercise • IRR/NPV exercise 	<ul style="list-style-type: none"> • Read Hola Kola – Capital Spending Decision Case Study
2 4/2/15	<ul style="list-style-type: none"> • Introduce Cash Flow Model • Net Operating Income (NOI) • Direct Capitalization • Investment Value • Terminal Value • Cash Flow Before and After Tax • Cash Flow Model – Without Financing/Before Tax 	<ul style="list-style-type: none"> • Cash Flow Model Exercise • Exercises and activities to calculate IRR/NPV without financing before tax • Parklane Center Case Study - Calculate IRR/NPV without financing before tax • Introduce Apartment Case for homework 	<ul style="list-style-type: none"> • Review Homework
3 4/9/14	<ul style="list-style-type: none"> • Cash Flow Model – Without Financing/After Tax • Tax world v. Real World • Income Tax and Capital Gain Tax • Risks & Returns Considerations 	<ul style="list-style-type: none"> • Exercises and activities to calculate IRR/NPV without financing after tax • Parklane Center Case Study – Calculate IRR/NPV without financing after tax • Introduce Apartment Case for homework 	<ul style="list-style-type: none"> • Review Homework • Students to present Apartment Case on IRR/NPV without financing before tax
4 4/16/14	<ul style="list-style-type: none"> • Cash Flow Model – With Financing/Before Tax • Reasons for Using Debt Financing • Types of Leverage • Measure of Leverage • Cash-on-Cash Return 	<ul style="list-style-type: none"> • Exercises and activities to calculate IRR/NPV with financing before tax • Parklane Center Case Study – Calculate IRR/NPV with financing before tax • Quizzes #1 • Introduce Apartment Case for homework 	<ul style="list-style-type: none"> • Review Homework • Students to present Apartment Case on IRR/NPV without financing after tax
5 4/23/14	<ul style="list-style-type: none"> • Cash Flow Model – With Financing/After Tax • Capital Expenditures 	<ul style="list-style-type: none"> • Exercises and activities to calculate IRR/NPV with financing after tax • Parklane Center Case Study – Calculate IRR/NPV with financing after tax • Security Card Access Case Study for capital expenditure decision • Introduce Apartment Case for homework 	<ul style="list-style-type: none"> • Review Homework • Students to present Apartment Case on IRR/NPV with financing before tax •
6 4/30/14	<ul style="list-style-type: none"> • Real Estate Values • Discount Rate • Selecting a Discount Rate • Limitations of IRR 	<ul style="list-style-type: none"> • Review Hola Kola – Capital Spending Decision Case Study 	<ul style="list-style-type: none"> • Review Homework • Students to present Apartment Case on IRR/NPV with financing after tax • Read Hola Kola – Capital Spending Decision Case Study
7	<ul style="list-style-type: none"> • Capital Accumulated Process 	<ul style="list-style-type: none"> • Quizzes #2 	<ul style="list-style-type: none"> • Students to present Hola Kola Case with

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5/7/15		<ul style="list-style-type: none">• Conduct a basic capital accumulation analysis• Review for Final using Crossroad Case Study	recommendations
5/14/14	Final Exam		

Note: The schedule is subject to change.

PeopleSoft: The University of Houston’s PeopleSoft system will be an important communication link for this class. I endeavor to use this system to send class-wide and individual e-mails. Please be sure your e-mail address is updated.

Code of Conduct: A student admitted to the University of Houston accepts the responsibility to conform to all University of Houston rules and regulations. Proven failure to meet this obligation will justify appropriate disciplinary action including, but not limited to, expulsion, suspension, disciplinary probation, reprimand or warning. Although the University will make every reasonable effort to make the rules and regulations available, students are responsible for becoming familiar with them.

Academic Honesty: The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy, such as plagiarism or cheating, will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook, <http://www.uh.edu/dos/hdbk/acad/achonpol.html>. Students are expected to be familiar with this policy.

Students are expected to produce original work in the course. Previous course-work from other classes cannot be submitted for credit in this course for any class assignment or project. At the instructor’s discretion, work will be submitted to Turn It In.

Laptop and cell phone classroom policy
It is my policy to place their laptop computer in the closed position and turn their cell phones off during class. If you cannot turn your cell phone off then put your cell phone in “vibrate” position and leave the classroom quietly if you receive a call.

Accommodations for Students with Disabilities:
The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.