



FINA 7A97 Advanced Valuation: Principles and Practices
Section Number: 25791
Thursday 6:00 PM – 9:00 PM; 118 Melcher Hall

Instructor: Pius K Leung, CCIM, CPM, MRICA, CIPS, FInstLM

Office Hours: By appointment only

Telephone: (713) 305-1783 (office)

Email Address: pkleund@ccim.net

General Info:

Email is the best way to communicate with me off hours, I will always read your email and I will respond in a timely manner. You are rolling the dice with me if you call and leave a voicemail. If you wish to meet in person, I prefer we meet prior to class on Thursdays, and please let me know in advance.

Course

Objectives: 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 different asset class within the real estate industry.

Text: Financial Analysis for Commercial Investment Real Estate, from the CCIM Institute. This publication will be available at the bookstore.

Course

Calculator: HP10BII Financial Calculator (a HP10BII app for the smartphone is acceptable)

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 is 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 below.

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. Case assignments are for a group or as an individual assignment. In order to receive full credit for the case assignments, please follow the directions for each case when assigned. All work must be originally produced for this course either by the group or individually.

Pop-quizzes: Periodically, pop-quizzes are given in the beginning of class. Since class participation is required, quizzes cannot be made up. If you are absent from class, no credit will be given for the quiz.]

Grading: The course assignments and participation points are as follows:
In-class attendance and participation 20 points (graded/credit)

Pop-quizzes(2 total)	25 points (graded/credit)
Homework	10 points (graded/credit)
<u>Final Exam</u>	<u>45 points (graded/credit)</u>
Total points	100

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-	0 - 59 = F

Course Schedule

Class:	Topics	Activities (In-class)	Assignment Due (Before Class)
1 3/26/15	<ul style="list-style-type: none"> Introduction 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 Plaza Suites Case Study - Calculate IRR/NPV without financing before tax Introduce Summit Apartment for homework 	<ul style="list-style-type: none"> Review Homework
3 4/9/15	<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 Plaza Suites Case Study – Calculate IRR/NPV without financing after tax Introduce Summit Apartment Case for homework 	<ul style="list-style-type: none"> Review Homework Students to present Summit Apartment Case on IRR/NPV without financing before tax
4 4/16/15	<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 Plaza Suites Case Study – Calculate IRR/NPV with financing before tax Quizzes #1 Introduce Summit Apartment Case for homework 	<ul style="list-style-type: none"> Review Homework Students to present Summit Apartment Case on IRR/NPV without financing after tax
5 4/30/15	<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 Plaza Suites Case Study – Calculate IRR/NPV with financing after tax Security Card Access case study for capital expenditure decision Introduce Summit Apartment Case for homework 	<ul style="list-style-type: none"> Review Homework Students to present Summit Apartment Case on IRR/NPV with financing before tax
6 4/30/15	<ul style="list-style-type: none"> Real Estate Values Discount Rate Selecting a Discount Rate 	<ul style="list-style-type: none"> Review Hola Kola – Capital Spending Decision Case Study Quizzes #2 	<ul style="list-style-type: none"> Review Homework Students to present Summit Apartment Case on IRR/NPV with

	<ul style="list-style-type: none"> • Limitations of IRR 		financing after tax <ul style="list-style-type: none"> • Read Hola Kola – Capital Spending Decision Case Study
7 5/7/15	<ul style="list-style-type: none"> • Capital Accumulated Process 	<ul style="list-style-type: none"> • Conduct a basic capital accumulation analysis • Review for Final Exam using Crossroad Case Study 	<ul style="list-style-type: none"> • Students to present Hola Kola Case with recommendations
5/14/15	Final Exam		

Note: The schedule is subject to change.

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.

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.