

Business Valuation, BUS 273/ BUS 220X

Spring 2023 Session B

Course and Contact Information

Instructor:	Matthew Faulkner
Office Location:	Online/ BT 960
Telephone:	408-924-3464
Email:	matthew.faulkner@sjsu.edu
Office Hours:	TBD Zoom by appointment. Other times by appointment.
Class Days/Time:	Wednesday evening 6:00pm to 10:00pm
Classroom:	BBC 022; online
Prerequisites:	A desire to be challenged to think critically
Faulkner's Instagram	sjsuproffaulk

Course Description

From a financial manager's, fund manager, and investor's perspective, this course explores considerations and alternatives for understanding a company's value. Tools for understanding what determines value, processes to measure value, and critical thinking skills in the interpretation of value. We will combine theory with practical knowledge of marketplace limitations.

Course Learning Outcomes (CLO)

- 1) Interpret and apply financial theory to a variety of valuation projects to publicly traded companies, as well as introduction to privately held companies, real estate, venture capital and alternative assets.
- 2) Facilitate financial decision-making by applying financial math and valuation principles to value securities, capital projects, and other assets.
- 3) Assess the risk associated with valuation.
- 4) Demonstrate an understanding of risk and return
- 5) Demonstrate an understanding of time value of money
- 6) Recognize strategic growth option value
- 7) Distinguish value through real options
- 8) Identify real options in business and in daily life
- 9) Demonstrate when/how to use discounted cash flow analysis
- 10) Calculate the value of a company using the WACC method
- 11) Calculate the value of a company using adjusted present value method
- 12) Calculate the value of a company using multiples valuation
- 13) Select the appropriate valuation method for a company

- 14) Build your own company valuation
- 15) Recognize where value comes from
- 16) Calculate the growth option value from stock prices
- 17) Relate company's resources to value creation
- 18) Assess growth option value based on competitive advantage
- 19) Understand flexibility value through real options
- 20) BSBA program goals <http://www.sjsu.edu/cobaccreditation/Goals/BSBA/>

Canvas and Messaging

Course materials can be found on the [Canvas login page](http://sjsu.instructure.com) at <http://sjsu.instructure.com>. Students are also responsible for checking receiving locations of Canvas messages (please check your settings) along with student's SJSU direct email address.

Course Format

Hybrid. Required: Internet Connectivity, Microsoft Excel, Canvas, Factset, Lockdown Browser, *Webcam Usage*.

Required Texts/Readings

Textbook

Required: Valuation 7th Edition, University Edition *or* non-university edition. Koller, Goedhart and Wessels. Mckinsey and Company

Assigned Articles

Other Readings and Such (not required)

Books:

The Intelligent Investor, Benjamin Graham
Efficiently Inefficient, Lasse Heje Pedersen
A Random Walk Down Wall Street, Malkiel
A Gift to My Children, Jim Rogers
The Elements of Investing, Malkiel
Economics In One Lesson, Hazlitt
Business Adventures, John Brooks

Research:

Financial Analysts Journal

Podcasts:

NPRs How I Built This

Other technology requirements / equipment / material

Microsoft Excel is required for this course. *Financial calculator* is required for this course. *FACTSET* (will setup in class) is required for this course, please sign up when requested. Please bring your calculator to each class and be ready to work in Excel. *Texas Instruments BAI Plus* is what I will teach with (HP financial

calculator or Texas Instruments graphing calculator allowed). Phones are not allowed as your calculator. Accessibility to internet access is required for additional readings or podcasts.

Course Requirements and Assignments (Required)

EXAMS: exams will be offered in class on the dates specified in the course schedule. The exams are based on the assigned readings, lectures, and homework. Make-up exams will be allowed only under university approved absences. You are required to notify me **BEFORE** the missed exam.

HOMEWORK: Assigned regularly

PROJECTS: grading criteria and directions will be provided in a separate canvas documents

[University Policy S16-9](#) “Success in this course is based on the expectation that students will spend, for each unit of credit, a minimum of 45 hours over the length of the course (normally three hours per unit per week) for instruction, preparation/studying, or course related activities, including but not limited to internships, labs, and clinical practica. Other course structures will have equivalent workload expectations as described in the syllabus.”

Final Examination or Evaluation Information

Cumulative final exam.

[University policy S17-1](#) states that “Faculty members are required to have a culminating activity for their courses, which can include a final examination, a final research paper or project, a final creative work or performance, a final portfolio of work, or other appropriate assignment.”

Grading Information

Determination of Grades

Grading will be based on:

Final Exam (Cumulative)	35%
Articles/Books/Podcasts/Case Studies/Quizzes	15%
Participation	15%
Valuation Project	35%

Quizzes

Quizzes will be given promptly at the beginning of class or within Canvas. They may happen every week, be prepared. No additional time will be offered for students arriving late. The single worst quiz grade will be dropped (not including pop quizzes)

Late Assignments

There is absolutely no acceptance for late homework assignments or projects. No extension will be given for either under any circumstances.

- Grades will be earned following the chart below.

Grade	Percentage
A	96.0 to 100%
A	93 to 95.9%
A minus	90 to 92.9%

<i>Grade</i>	<i>Percentage</i>
<i>B plus</i>	86 to 89.9 %
<i>B</i>	83 to 85.9%
<i>B minus</i>	80 to 82.9%
<i>C plus</i>	76 to 79.9%
<i>C</i>	73 to 75.9%
<i>C minus</i>	70 to 72.9%
<i>D plus</i>	66 to 69.9%
<i>D</i>	63 to 65.9%
<i>D minus</i>	60 to 62.9%

Classroom Protocol

Overview

- Attendance to **every single class** is expected along with **meaningful participation** in the classroom.
- Camera usage is required for every scheduled online course, each Monday.
- All exams will be closed book and closed notes. Multiple choice and practical application.
- If you should be late for an exam, no extra time will be allotted to you. Once the first person completes an exam, turns it in and leaves the room/online, no exams will be given out for a student arriving after this point in time.
- You are not allowed to keep the exams or make copies of the exams.
- You will be responsible for any material covered in class that is not in your text.
- You are responsible for withdrawing from the class should you decide to do so.
- You are expected to be on time for class.
- **Cell phones and laptops are not to be used in class, except for class specific purposes.**
- Disruptive behavior in the classroom will not be tolerated. Online etiquette should be used.
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Netiquette

When sending an email, please use standard rules of etiquette and be sure to include your class and section number (179B) in the subject line. Be conscious that emails lack voice intonation and body language that are often needed to avoid misrepresentations. This is good practice and habit to have for your adventures after college.

Synchronous online sessions are going to be held weekly. Behavior in these sessions is expected to be as if you are in a standard in-person classroom. This entails respect for the other students in the class, the instructor, and behavior that allows for a conducive learning environment. Any behavior disrupting the class may result in dismissal from the class.

Library Liaison for College of Business

Christa Bailey, Ph: 408-808-2422. Email: christa.bailey@sjsu.edu

University Policies (Required)

Per [University Policy S16-9](http://www.sjsu.edu/senate/docs/S16-9.pdf) (<http://www.sjsu.edu/senate/docs/S16-9.pdf>), relevant information to all courses, such as academic integrity, accommodations, dropping and adding, consent for recording of class, etc. is

available on Office of Graduate and Undergraduate Programs' [Syllabus Information web page](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>".

Business Valuation, BUS 273 Course Schedule

The schedule is subject to change with fair notice.

Course Schedule

Week	Date	Mode	Topics, Readings, Assignments, Deadlines
	March 22	<i>In-person</i>	Intro To Valuation and Critical Thinking Chapter 1 CFA Equity Level 2 Textbook Chapter 10 Frameworks for Valuation
	April 5	<i>In-person</i>	Berkshire Hathaway letter Review of DCF/Time Value of Money Chapter 3 Valuation Textbook Select your company, explore SEC Edgar and Company Website
	April 12	<i>In-person</i>	Chapter 4 Risk and the Cost of Capital “Everything is a DCF Model” Morgan Stanley publication Warren Buffet Valuation Video.
	April 19	<i>In-person</i>	Chapter 7 The Stock Market is Smarter Than You Think First Valuation Project in class example Project 1 Dissecting 10-ks and Letters to Shareholders due. Chapter 4, cost of capital questions due
	April 22	<i>remote</i>	Chapter 8 Return on Invested Capital “Six Rules for Effective Forecasting” HBR
	April 26	<i>Online</i>	Chapter 10 Frameworks for Valuation
	May 3	<i>In-person</i>	Chapter 13 Forecasting Performance
	May 6	<i>Online</i>	Chapter 14 Estimating Continuing Value
	May 10	<i>Online</i>	Chapter 15 Estimating Cost of Capital “Do You Know Your Cost of Capital” HBR “A Refresher on Cost of Capital” Chapter 18 Using Multiples
	May 17	<i>Online</i>	Final Exam 5:15pm-7:30pm

BUS 273	Business Valuation	04	Wednesdays	3/22, 4/5, 4/12, 4/19, 5/3	6:00PM - 10:00PM	In person	BBC 022	25830	Faulkner	BUS 270
			Wednesdays	4/26, 5/10, (3/29 no class)	6:00PM - 10:00PM	Remote	Remote			
			Saturday	4/22	2:00PM - 6:00PM					
			Saturday	5/6	9:00AM - 6:00PM					
			Wednesday	Final Exam/Culminating Activity: 5/17	5:15PM - 7:30PM					

Other Assigned Articles: Dates TBD:

1. SPACs: What You Need to know
2. A Real-World Way to Manage Real Options
3. Making Real Options Really Work
4. Are You Paying Too Much for That Acquisition?
5. How Fast Should Your Company Grow?
6. What's It Worth? A General Manger's Guide to Valuation
7. How a CEO's Personality Affects Their Company's Stock Price
8. A Refresher on Net Present Value
9. A Refresher on Cost of Capital

Project:

1. Part 1: Analyze 10-k and letter to shareholders
2. Part 2: IDKs turned to IKs
3. Part 2: Understanding your Business
4. Part 3: Understanding your Industry
5. Part 4: Forecasting, including creativity
6. Part 5: DCF analysis
7. Part 6: APV and Multiples
8. Part 7: Complete your full professional report