

National University of Singapore
NUS Business School
 ACC3705 Corporate Valuation Models

Instructor

Name	Role	Email	Room	Phone
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Overall learning objectives

- To equip students with the key concepts and understanding in the valuation of major asset classes in corporate balance sheets: debts, financial derivatives, valuation for equity, valuation for invested capital, and M&A
- To equip students with the key concepts and understanding in measurements for corporate assets and liabilities as required by the Singapore Financial Reporting Standards.

Module coverage

Broadly, this module will cover the following:

- Valuation requirements of IFRS
- Basics in valuations (parameters, models and applications)
- Various valuation methodologies
- Valuation of different corporate assets and liabilities: debts, financial derivatives, valuation for equity, valuation for invested capital, and M&A.
- Capital structure theories

Learning outcomes

Upon successful completion of this module, students will be able to:

- Understand the basic economic theory that drives valuation
- Understand the requirements of fair value accounting
- Understand the major valuation methodologies for the various assets and liabilities in corporate balance sheets.
- Understand the corporate financing strategies and capital structure theories.

Relevant Readings:

1. **Damodaran**, Aswath, *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset*, University Edition, 3rd Edition, John Wiley & Sons, 2012.
2. **Lundholm**, R., and **Sloan**, R., “*Equity Valuation and Analysis*”, 5rd Edition.
3. **Fabozzi**, Frank J., *Bond Markets, Analysis and Strategies*, 9th Edition, Pearson Publishing, 2016.
4. **Hull**, John C., *Options, Futures and Other Derivatives*, 10th Edition, Pearson Publishing., 2018.

Detailed syllabus

Week beginning	Topic	Textbook and additional materials
Week 1	Introduction to Corporate Valuations	Lecture notes
Week 2	Liabilities in balance sheet 1 <ul style="list-style-type: none"> • Zeros • Coupons 	Fabozzi Chapters 2, 3, 5 and 18 Lecture notes
Week 3	Liabilities in balance sheet 2 <ul style="list-style-type: none"> • Seasoned Bond 1 • Floating Rate Notes • Practical problem in estimating cost of bonds. 	Fabozzi Chapters 2, 3, 5 and 18 Lecture notes
Week 4	Financial derivatives 1 <ul style="list-style-type: none"> • Valuation of the Forward Rate Agreement (FRA) • Valuation of swaps • 	Hull Chapters 1, 2, 3 and Lecture notes
Week 5	Financial derivatives 2 <ul style="list-style-type: none"> • Basic option features • Cox, Ross and Rubinstein binomial model • Black-Scholes option-pricing model 	Hull Chapters 7, 10, 11 and 12; Chapters 14, and 15; Lecture notes
Week 6	Corporate equity valuation 1 <ul style="list-style-type: none"> • Introduction and overview • Understanding the past financial statements 	Damodaran Chapters 1-3; Lecture notes
Week 7	<ul style="list-style-type: none"> • Q&A, Mid-term test: TBA 	
Week 8	Corporate equity valuation 2 <ul style="list-style-type: none"> • Forecasting the future financial statements 	LS Chapters 7-8; Lecture notes
Week 9	Corporate equity valuation 3 <ul style="list-style-type: none"> • Valuation models & valuation ratios 	LS Chapters 9-10; Lecture notes
Week 10	Corporate equity valuation 4 <ul style="list-style-type: none"> • Costs of capital 	Damodaran Chapter 4; Lecture notes
Week 11	Corporate equity valuation 5 <ul style="list-style-type: none"> • Private Equity investment • M&A The rationale for M&A (corporate governance) 	Lecture notes

	Synergies in M&A Valuation of target • Conglomerates in Asia	
Week 12	Application of Valuation Models	
Week 13	Final Overview	