

## **FIN 374C Financial Planning and Policy for Large Corporations: Valuation of Energy Projects and Firms**

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Office Hours: Monday & Wednesday 5:00 - 6:30 pm and by appointment

Description: This course is primarily focused on the initiation, evaluation, financing and hedging of major investments with a focus on the energy industry. The theory behind these decisions will be featured but practical issues involving application of the concepts will be emphasized, including scenario analysis and simulation.

Key questions addressed include:

- What are the relevant risks of the investment and can the firm hedge these risks?
- How can the investment be financed, and how does financing contribute to its value?
- How does the investment affect the firm's financial statements?
- Will the investment improve the firm's earnings per share, or will it lead to a short-term reduction in earnings?
- Is there flexibility in the way that the project can be implemented, and how does this flexibility contribute to value?
- If we choose to delay the initiation of the investment, will the opportunity still be available in the future?
- Does it exploit the firm's existing comparative advantages, and does it create new comparative advantages that will generate valuable projects in the future?

### *Materials*

- Valuation: The Art and Science of Corporate Investment Decisions, Titman and Martin **2<sup>nd</sup> edition** (ISBN-10: 0136117015).
- @Risk (simulation add-in for Excel). Available in labs and for download (<http://www.mcombs.utexas.edu/Tech/Computer-Services/COE.aspx>)

### *Course Requirements and Grading*

- Midterm Exam: 30%
- Cumulative Final Exam: 30%
- Case Write-ups & Homework: 35%
- Class Participation: 5%

Make-up and extra-credit assignments are generally not possible. Your grade will be determined solely by the components listed above. If you fail to turn in the case assignment or the problem set when they are due you will not be able to make up the assignment or the points. Don't miss the quizzes or the tests. Participation is not attendance (I don't take attendance). To get any credit for the participation you should: ask questions and answer questions. In general, participating means positively contributing to your peers classroom experience. In the past I have given about 20% of the class 0s in participation because they never participated.

***If you wish to appeal your grade on any assignment or exam you have 10 days from the time it was returned to the class (not when you receive it). All homework appeals must be e-mailed and addressed to the grader at : [fin374c@gmail.com](mailto:fin374c@gmail.com). Exam appeals should be directed to me.***

### *Submitted Materials and Class Discussion*

- Analyses are to be prepared by groups of up to two. Students are left to find their own groups, but please see me if you need help. Groups should remain constant for all of the assignments, barring extraordinary circumstances.
- Each student is expected to be actively involved in the analysis discussions.
- All work – whether handed in during class or via Blackboard – is due at the beginning of class on the day given on the assignment. No late work will be accepted. Each group will hand in only one assignment.
- Each group should work independently (i.e., do not submit the work of another group).
- For the cases, students should try to put themselves in the shoes of the case participants at the time of the case. Students may do additional research (e.g., on the internet). Students may not look at or use case materials from any other source, such as slides, spreadsheets or discussions from other universities that may be available on the internet or otherwise. Other schools assign these cases, but students may not use their discussions, materials, or solutions in any way.

### *Policies*

Though attendance will not be taken, you are responsible for everything covered or assigned in class. The lectures may depart significantly from the material assigned and it is important that you review the assigned readings prior to the class session.

In general laptops are encouraged but if I feel that the privilege is being abused I reserve the right to ban them from class. There will also be periods where I request that all laptops are closed so that we can focus on the task at hand, e.g. during case discussions.

When we have guest speakers, the appropriate dress is business casual.

### *Academic Dishonesty*

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam, and I intend to turn any cases of academic dishonesty over to the disciplinary process of the school.

As specific guidance for this course, you should consider the writing of all examinations to be an individual effort. Group preparation for examinations is acceptable and encouraged. Some homework assignments may be required to be completed individually but in these cases I encourage you to work together in answering the questions. In these instances you should, however, develop your own answer and not cut and paste the work of others. At no time should one student be in possession of a copy of all or part of work done by someone else, in the form of an e mail, an e mail attachment file, a diskette, or a hard copy.

### *Students with Disabilities*

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

### *Religious Holidays*

By University policy you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you miss the due date for an assignment due to your observance of a holy day you will be given an opportunity to complete the missed work within a reasonable time after the absence.

### *Things you will dislike*

- Don't post solutions to homework

- No practice exams
- I keep all exams in my office but you can visit anytime
- Don't reward bad comments or attendance
- Expect homework on time through **blackboard**
- Will ask if you read the book
- No early finals
- Welcome to talk about final grade ... following semester

### Tentative Schedule (all dates but Midterm are subject to change)

Meeting	Date	Topic	Readings
1	24-Aug	Course Introduction & Valuation process	Chap 1
2	29-Aug	Valuation Methodologies	Chap 2
3	31-Aug	Cash Flows / Simulation and Scenarios	Chap 2-3
	5-Sep	<i>Labor Day</i>	
4	7-Sep	Simulation and Scenario analysis	Chap 3
5	12-Sep	Simulation and Scenario analysis	Chap 3
6	14-Sep	Cost of Capital	Chap 4
7	19-Sep	Cost of Capital	Chap 4
8	21-Sep	Cost of Capital	Chap 4
9	26-Sep	Estimating Required Rates of Return	Chap 5
10	28-Sep	Estimating Required Rates of Return	Chap 5
11	3-Oct	Forecasting Financial Performance	Chap 6
12	5-Oct	Forecasting Financial Performance	Chap 6
13	10-Oct	Accounting and Valuation	Chap 7
14	12-Oct	Valuation with Comparables	Chap 8
15	17-Oct	Review / Advanced Excel	Chap 8
16	19-Oct	Midterm Chapters 1-7	
17	24-Oct	Valuation with Comparables	Chap 8
18	26-Oct	Enterprise Valuation	Chap 9
19	31-Oct	Enterprise Valuation	Chap 9
20	2-Nov	Decision Trees	
21	7-Nov	Intro to Real Options	Chap 11
22	9-Nov	Intro to Real Options	Chap 11
23	14-Nov	Real Options continued	Chap 11-12
24	16-Nov	Real Options continued	Chap 12
25	21-Nov	Real Options continued	Chap 12
26	23-Nov	Self-paced Review Session	Chap 11-12
27	28-Nov	Real Options continued	Chap 12
28	30-Nov	Strategic Options	Chap 13