NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS

INVESTMENT PRINCIPLES
Spring 2008 (C15.0041.001)

Professor Yoram Landskroner

Syllabus  (Updated Oct 4, 2007)

Course Description
This course covers investment principles that should be used in equity security analysis and valuation. Different approaches to valuation will be considered in a comprehensive way (DCF, Relative valuation, Option based valuation). The models will be presented with real-world applications.

Textbooks
•  Required
  •  Recommended

Prerequisites:

Blackboard Information:
Course material which includes PowerPoint slides of the lectures; assignments and solutions; announcements, valuation project guidelines and other material will be posted on the course site.

Grades:
Grades will be based on a mid-term exam (30%), a final exam (40%), a valuation project (20%) and problem sets (10%). Grades for this course will follow the Stern Grading Guidelines at the Undergraduate College (25-35% A’s; 50-70% B’s and 5-15% C’s and below)

Exams:
The mid term and final exams are not cumulative. You must take them both. There will be no make-ups during the semester. The exams are in-class, multiple-choice with short explanations. They are closed book, but you can bring in one 8.5”x11” page of notes and
should bring in your calculator (but not your laptop). You may not enter any formulae or
data in your calculator.

Valuation Project
A semester long project designed to give students an opportunity to apply valuation
methods discussed in class on real world companies. Students will work in groups (3-4
students) that will and hand in a company report (in parts). For more details on the
project see Blackboard. Useful material for the project is to be found on Professor
Damodaran’s website: http://pages.stern.nyu.edu/~adamodar/

Problem Sets
Over the course of the semester end of chapter problems will be assigned. They will be
graded. Each student has to hand the answers individually. The problem sets answers
must be handed in on time and must be legible handwritten originals (please no faxes, no
word processors nor photocopies).

Computer and Calculator
These are the tools of trade. It is strongly recommended that you own a computer (laptop
or desktop). You should also have a financial calculator that has NPV and IRR functions,
HP10BII or HP12C are suitable.

Course Policies
- Class attendance is mandatory. Absence may be excused only in case of
documented illness, family emergency, religious observance, or civic obligation.
Recruiting activities are not acceptable reasons for class absence
- Students are expected to arrive to class on time and stay to the end of the class
period. Students may enter class late only if given permission by the instructor
and can do so without disrupting the class.
- Participation is an essential part of learning in this course. Students are expected
to participate in all facets of classroom learning
- Students are expected to come to class prepared having read the assigned
readings.
- All assignments and course project are expected to be completed and handed in
on time

Honor code
You are responsible for maintaining Stern’s honor code, which mandates zero tolerance
for cheating.
## Course Outline (Tentative)

<table>
<thead>
<tr>
<th>Week *</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>I. <strong>Introduction to Valuation</strong>&lt;br&gt;Overview of Valuation&lt;br&gt;Approaches to Valuation&lt;br&gt;Review of Accounting Statements and Basics of Risk (Read only)</td>
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<td>AD: Chaps. 1-2, 3 &amp; 4 (review)</td>
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<td>2-4</td>
<td>II. <strong>Discounted Cash Flow Valuation</strong>&lt;br&gt;Estimating Cost of Financing:&lt;br&gt;Cost of Equity&lt;br&gt;Risk Parameters&lt;br&gt;Cost of Debt&lt;br&gt;WACC</td>
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<td>AD: Chaps. 7, 8</td>
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<tr>
<td>5-6</td>
<td>Measuring Earnings&lt;br&gt;Estimating Cash flows&lt;br&gt;Estimating Growth</td>
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<td>AD: Chaps. 9-11</td>
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<tr>
<td>7-8</td>
<td>Dividend Model&lt;br&gt;Free Cash Flow Models: FCFE&lt;br&gt;FCFF</td>
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<td>AD: Chaps. 13-15 (382-400)</td>
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<td>9-10</td>
<td>III. <strong>Relative Valuation</strong>&lt;br&gt;Fundamentals of Relative Valuation&lt;br&gt;Earnings Multiples&lt;br&gt;Value Multiples</td>
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<td>AD: Chaps. 17-19</td>
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<td>11-12</td>
<td>IV. <strong>Market Efficiency and Valuation</strong></td>
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Definitions, Tests, and Evidence
Investment Strategies and Management

AD: Chap. 6,

13-14 V. **Option Valuation** (Time permitting)
Options Pricing
Equity as an Option

AD: Chaps. 5, 30

* Subject to change during the semester