COURSE DATA

DATA SUBJECT

Code: 44210
Name: Assessment of businesses and complex projects
Cycle: Master's Degree
ECTS Credits: 3
Academic year: 2026-27

STUDY (S)

Degree	Center	Acad. year	Period
2195 - Master's Degree in Corporate Finance	Facultat d'Economia	1	Second quarter

SUBJECT-MATTER

Degree	Subject-matter	Character
2195 - Master's Degree in Corporate Finance	Assessment and risk	COMPULSORY

COORDINATION

FARINOS VIÑAS JOSE EMILIO

SUMMARY

The subject Assessment of businesses and complex projects explores aspects of the valuation of projects and companies that were introduced in undergraduate courses through the discounted cash flow method, such as the analysis of uncertainty or the estimation of the opportunity cost of capital in a risky environment. In addition, this course broadens the range of valuation methods by introducing the relative valuation method using market comparables and the use of real options in the valuation process. The concepts studied in this course are necessary in all those processes in which, in one way or another, the valuation of the company is necessary: legal disputes, mergers and acquisitions, stock market flotations, etc.

PREVIOUS KNOWLEDGE

RELATIONSHIP TO OTHER SUBJECTS OF THE SAME DEGREE

There are no specified enrollment restrictions with other subjects of the curriculum.

OTHER REQUIREMENTS

The study of business valuation methodologies involves the practical use of a considerable number of

concepts from different fields: financial (financial planning, capital structure, capital asset valuation models, derivative asset valuation models), accounting (structure of the balance sheet and profit and loss account, relationships between the various accounting items), statistics (distribution functions, simulation).

COMPETENCES / LEARNING OUTCOMES

2195 - Master's Degree in Corporate Finance

Analizar de forma crítica tanto su trabajo como responsable de las finanzas empresariales, como el de sus compañeros.

Comparar los modelos básicos de valoración de activos financieros y sus limitaciones así como precisar la relación existente entre mercados financieros y finanzas empresariales.

Comparar y priorizar los diferentes métodos de valoración de empresas, proyectos y marcas, así como sus limitaciones.

Integrar en el área financiera de la empresa las nuevas tecnologías en su labor profesional.

Interpretar y juzgar la valoración de la empresa proporcionada por un experto externo.

Ser capaz de buscar, seleccionar y valorar información emanada de los distintos agentes del entorno, a través de métodos tradicionales y de las tecnologías de la información y de la comunicación para utilizarla de forma efectiva ante problemas y situaciones relacionadas con las finanzas corporativas.

Students should apply acquired knowledge to solve problems in unfamiliar contexts within their field of study, including multidisciplinary scenarios.

Students should be able to integrate knowledge and address the complexity of making informed judgments based on incomplete or limited information, including reflections on the social and ethical responsibilities associated with the application of their knowledge and judgments.

Students should communicate conclusions and underlying knowledge clearly and unambiguously to both specialized and non-specialized audiences.

Students should demonstrate self-directed learning skills for continued academic growth.

Students should possess and understand foundational knowledge that enables original thinking and research in the field.

Tomar decisiones tanto individuales como colectivas en su labor profesional como responsable financiero de la empresa.

Trabajar en equipo con eficacia y eficiencia tanto en el área financiera como en las otras áreas funcionales de la empresa.

DESCRIPTION OF CONTENTS

1. Topic 1. DFC Method (I): Projecting Cash Flows

The discounted cash flow valuation method (DFC method) is based on two basic aspects: the estimation of the company's future cash flows and the estimation of the appropriate discount rate, i.e. the estimation of the company's cost of capital. This section will introduce methods for estimating cash flows based on the firm's own historical performance and other available information.

Basic bibliography
Benninga (2014): Ch. 4, 5 and 6

2. Topic 2. DFC Method (II): Uncertainty Analysis Techniques

In any valuation process it is essential to investigate the sources of uncertainty in future cash flow projections. For this purpose, there are different techniques widely used by practitioners. In particular, we consider sensitivity analysis, scenario analysis and Monte Carlo simulation. The latter technique is particularly useful when cash flows are subject to multiple sources of uncertainty, since in these cases determining their expected value is very complex.

Basic bibliography
Brealey et al. (2010): Ch. 11
Titman and Martin (2009): Ch. 3

3. Topic 3. DFC Method (III): Estimation and use of the cost of capital

Once the uncertainty associated with the estimation of cash flows has been analysed, it is necessary to address the estimation of the opportunity cost of capital as a fundamental element in the valuation process. To this end, concepts previously studied in the Master's Degree in Corporate Finance will be used, specifically in the subjects Financial Markets and Corporate Decisions and Debt and Dividend Policies. In this way it will be possible to estimate the company's cost of capital, taking into account both its economic risk and its financial risk.

Basic bibliography
Benninga (2014): Ch. 3
Titman and Martin (2009): Ch. 4 and 5

4. Topic 4. Relative valuation by market comparables

Once we have studied the discounted cash flow valuation method, we introduce relative valuation (or valuation using market comparables), which uses market prices observed in transactions to calculate the value of a company or investment opportunity. Although there are different methods of relative valuation, we will focus on valuation using EBITDA multiples and price/earnings ratios.

Basic bibliography
Titman and Martin (2009): Ch. 6

5. Topic 5. Two-step approach to business valuation

Although relative valuation approaches are often seen as substitutes for discounted cash flow analysis, this section will explore how the two approaches are complementary in valuation processes.

Basic bibliography
Titman and Martin (2009): Ch. 7

6. Topic 6. Derivative assets and the valuation of real investments

The use of real options in the valuation of complex companies and projects is introduced. The real options approach is based on two important ideas: on the one hand, that financial markets often publish prices that can be used to value future cash flows; and, on the other hand, that uncertainty and flexibility are related in a way that influences expected cash flows.

Seminar with compulsory attendance by Professor Susana Alonso (University of Valladolid).

WORKLOAD

PRESENCIAL ACTIVITIES

Activity	Hours
Tutorials	2,00
Theoretical and practical classes	9,00
Seminar	1,00
Group work	8,00
Computer classroom practice	10,00
Total hours	**30,00**

NON PRESENCIAL ACTIVITIES

Activity	Hours
Attendance at other activities	2,00
Individual or group project	0,00
Independent study and work	25,00
Preparation of lessons	0,00
Preparation for assessment activities	0,00
Resolution of case studies	20,00
Total hours	**47,00**

TEACHING METHODOLOGY

During the course, the contents of the programme will be worked on simultaneously with the theoretical and practical content.

Theoretical classes will be taught using the lecture methodology, in which the lecturer will detail the fundamental aspects of each subject and explain the most relevant concepts, facilitating the study of the same through the indicated bibliography, to which the student must refer to complete and deepen their knowledge of the subject, and the material prepared for this purpose.

The practical classes will consist of the consideration of questions and exercises of an applied nature and which have been previously raised in the theoretical classes, with the student having to actively participate in the development of the activity by discussing the solution and using the appropriate computer techniques for its resolution.

In addition to these face-to-face activities, the student must carry out other activities aimed at independent learning, such as individual study, the preparation of assessment activities, or the carrying out of individual or group work. For the successful completion of these activities, tutoring, carried out either individually or in groups, is a particularly important teaching resource as it allows the teacher to know the level of progress of the group, and the student to receive personalised guidance in their training programme. Consequently, throughout the training period of the subject, the use of this teaching resource is recommended and encouraged.

The virtual classroom (https://aulavirtual.uv.es/) facilitates the development of these methodologies, as it contains all the teaching material and allows fluid contact between teacher and student.

EVALUATION

In order to assess the learning of the subject, a diversified assessment system will be used, which will allow the different knowledge and skills acquired by the students to be highlighted.

Thus, 30% of the final grade will be given by continuous assessment, which involves class attendance and participation, and the completion of three individual activities during the training period. In order for the proposed activities to be assessed, they must be handed in on the date and in the manner stipulated for each of them.

Through the proposed activities, the student will proceed, step by step, to the valuation of an unlisted company of their choice, preferably Spanish or American. The activities to be carried out are as follows:

Activity 1: to propose a financial model for the company chosen by the student and to project its free cash flows (FCF).
Value of the activity: 1 point.
Activity 2: Carry out an analysis of the uncertainty associated with the FCF projection made in Activity 1.
Value of the activity: 1 point.

Activity 3: estimate the cost of capital (rWACC) of the selected company.

Value of the activity: 1 point.

The purpose and nature of these continuous assessment tests is to encourage and assess the progressive and continuous work and learning of the student throughout the course, as specified in article 6 point 3 of the Regulations on Assessment and Grading of the University of Valencia for Bachelor's and Master's degrees, which states: "Continuous assessment is one of the basic criteria of the teaching programme, and must be understood as a tool of the teaching-learning process that informs the student about their progress and assesses it". Given the final nature of these continuous assessment tests, they cannot be made up at the second sitting.

The remaining 70% of the final grade will be obtained by means of a written exam, which will consist of several short questions and case studies. The questions and case studies are intended to assess the student's ability to synthesise the relevant information and provide an appropriate solution to the problems posed. The specific marks for each section will be specified in the exam.

In order to obtain the final mark for the course, the student must obtain a minimum mark of 3.5 points in the written exam so that the mark obtained in the continuous assessment can be added to this mark.

Unexcused non-attendance at the seminar that constitutes Topic 6 will be penalised with 1.5 points on the final mark.

In case of failing the first exam, the mark obtained in the continuous assessment will be kept to be added to the mark obtained in the written exam of the second exam. The same assessment criteria will be used in the second round as in the first round.

The grading system will be expressed by means of a numerical grade in accordance with the provisions of art. 5 of R.D. 1125/2003, of 5 September, which establishes the European credit system and the grading system for official university degrees valid in Spain.

REFERENCES

- Benninga, S. (2014): Financial Modelling. The MIT Press. London.
- Berck, J. y P. DeMarzo (2011): Corporate Finance. Pearson.Brealey, R.A., S.C. Myers y F. Allen (2010): Principios de Finanzas Corporativas. McGraw¿Hill. Madrid.
- Copeland, T.E., J.F. Weston y K. Shastri (2005): Financial Theory and Corporate Policy. Pearson. Titman, S. y J.D. Martin (2009): Valoración. Prentice¿Hall. Madrid.
- Marín, M y G. Rubio (2001): Economía Financiera. Antoni Bosch editor.
- Ross, S., R.W. Westerfield y J.F. Jaffe (2005): Finanzas Corporativas. McGraw¿Hill. México D.F.
- Titman, S. y J.D. Martin (2011): Valoración. Prentice¿Hall. Madrid. (Acceso online)
- Página web del profesor Aswath Damodaran (Stern School of Business, New York University): http://pages.stern.nyu.edu/~adamodar/
- Página web del profesor Kenneth French (Tuck School of Business, Universidad de Darmouth): http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/