



# **Syllabus**

## **Investment Analysis**

---

**August – December 2018**

**VIII Cycle**

**Lecturer**

**Guillermo Dávila Jaramillo, MBA**

## **I. General information about the course**

---

Subject : Investment Analysis  
Pre-requisite: Financial Instruments  
Credits : 3

Code : 02921  
Semester : 2018-2  
Class : VIII

## **II. Summary**

---

The course offers the student a chance to expand its knowledge in investment analysis, through the analysis of the current and future situation, and interpretation of specialized information, to optimize the investment decision-making of organizations.

In this course you will study the concepts and theory of investments. Types of investments, economic, financial, private, public, domestic, social, and others. Investment structures. Review of economic and financial projections. Analysis of critical points, sensitivity and management of scenarios. Reading and interpreting information from specialized documents, financial newspaper, The Wall Street Journal and other sources of investment information.

## **III. Course Objectives**

---

The course objective is to facilitate the understanding of concepts and basic principles of the theory of investment, while making use of specialized information. Analysis of cash flows and the discount rate, determines the valuation and capital budgeting and sensitivity analysis of cash flow. Also, the student identifies the various methodologies for valuing companies and applies technical analysis as a tool to predict the price of an asset. Proposes, supports and defends the most suitable alternative solution for the valuation of a share using fundamental and technical analysis tools.

## **IV. Learning Results**

---

**After completing this course, the student will:**

- Recognize the theory of investment and the various types of investments.
- Acquire general knowledge on the different types of investments.
- Understand the estimated cash flows and the discount rate.
- Understand the valuation and capital budget of a leveraged company.
- Values the importance of sensitivity analysis and cash flow scenarios.
- Understand the various methods of valuing companies.
- Understand the valuation discounted cash flows in various forms.
- Interpret the measures of value creation through economic value added.
- Understand financial information on business valuation and other financial strategies.
- Understand the revision of economic forecasts, valuation of shares and the application of technical analysis.
- Understand the specialized documents that allow you to obtain relevant information for decision-making.
- Apply the various methods of valuing companies and the free cash flow to determine the intrinsic value of the stock.
- Identify measures of value creation through the EVA for a company, and the financial information about company valuation.
- Recognizes the projections of economic variables and their importance in determining the projected share price.
- Understands and applies technical analysis to predict the value of a stock.

## V. Methodology

---

Classes will be held encouraging the active participation of students. The teacher will fulfill his role as guide, counselor and facilitator of the learning process. During the course, students will analyze various investment research as well as develop a research paper on the analysis of investment valuation of a company putting into practice all the knowledge acquired to date. Each student shall submit a written report and individual research work. It is desirable that before each class participants read, the recommended text, the subject to be treated so that you can ask any questions you believe are relevant. Also, after each class, you should also complement the theme worked with the texts listed in the additional reading recommended and if necessary consult with the respective teachers during the scheduled week. Special emphasis is placed on the developed cases during group assignments/workshops with compulsory presence in the classroom.

## VI. Evaluation

---

The evaluation system is permanent and integral. The course grade is obtained by averaging the continuous assessment (40%), the midterm (30 %) and final exam (30%).

The average of the ongoing evaluation results from the ongoing evaluation average reading control, case studies, quizzes, final project and other activities considering the weighted table. The weights within the ongoing evaluation are described in the following table:

Average of the Ongoing Evaluation 40%		
Type of Evaluation	Description	Weight %
Control of readings	4 reading controls	25
Practical Cases	4 Cases	20
Final Project	Individual Research Paper	40
Other Activities	Class Participation & Class Assistance	15

The final grade average is obtained by:

$$FG = (0, 30 \times \text{Midterm}) + (0, 40 \times \text{Average Ongoing Evaluation}) + (0, 30 \times FE)$$

### Legend:

- FG** = Final Grade
- ME** = Midterm Exam
- AOE** = Average Ongoing Evaluation
- FE** = Final Exam

## VII. Course Content

WEEK	CONTENTS	ACTIVITIES / EVALUATION
<p style="text-align: center;"><b>1°</b></p> <p>From August 20<sup>th</sup> to 25<sup>th</sup></p>	<p><b>Introduction to Investment Analysis Course.</b></p> <p><b>1.- Investment Theory</b></p> <p>1.1.- Investment Concepts</p> <p>1.2.- Type of investments:</p> <p>1.2.1.- Economic</p> <p>1.2.2.- Financial</p> <p>1.2.3.- Private</p> <p>1.2.4.- Public</p> <p>1.3.- Cost and investment requirements</p> <p>- Reading Assignment. Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 1. Fundamental Concepts. Chapter 2. Time value of money</p>	
<p style="text-align: center;"><b>2°</b></p> <p>From August 27<sup>th</sup> to September 01<sup>th</sup></p>	<p><b>2. - Information from specialized documents and economic review.</b></p> <p>2.1. - Economic events: The Wall Street Journal, Barrons's, Investors, Invertia</p> <p>2.2. - Institutional News: Bloomberg, Business, Market Watch</p> <p>2.3. - Financial Web Portals: Yahoo Finance, Morningstar, Money CNN, Investopedia</p> <p>2.4. - Review of economic forecast</p> <p>Reading Assignment:</p> <p>- Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 3 and 4 Securities and the valuation</p>	<p>Reading Control 1</p>
<p style="text-align: center;"><b>3°</b></p> <p>From September 03<sup>th</sup> to 08<sup>th</sup></p>	<p><b>3.- Estimating cash flows and discount rates</b></p> <p>3.1.- Sunk Costs, Opportunity Costs and assigned costs</p> <p>3.2.- Cash flow structure</p> <p>3.3.- Economic cash flow</p> <p>3.4.- Financial Cash Flow</p> <p>3.5.- Incremental Analysis</p> <p>3.6.- The PER and the company's profitability</p> <p>Reading Assignment:</p> <p>- Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 9: The cost of capital, Chapter 10: The basic of Capital Budgeting</p>	<p>Case 1</p>
<p style="text-align: center;"><b>4°</b></p> <p>From September 10<sup>th</sup> to 15<sup>th</sup></p>	<p><b>4.- Valuation and capital budgeting of a leveraged company</b></p> <p>4.1.- Adjusted present value</p> <p>4.2.- Cash Flow to capital method</p> <p>4.3.- Weighted Average Cost of Capital</p> <p>4.4.- Cost of the shareholder</p> <p>Reading Assignment:</p> <p>- Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 9: The cost of capital.</p>	

<p style="text-align: center;"><b>5°</b></p> <p>From September 17<sup>th</sup> to 22<sup>th</sup></p>	<p><b>5 - Sensitivity analysis on the cash flow</b>  5.1 -. Sensitivity analysis  5.2 -. Analysis scenarios  5.3 -. Breakeven Analysis  5.4 -. Monte Carlo Simulation</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 11: Cash flow estimation and risk analysis.</p>	<p style="text-align: center;">Reading Control 2</p>
<p style="text-align: center;"><b>6°</b></p> <p>From September 24<sup>th</sup> to 29<sup>th</sup></p>	<p><b>6 - Methods of valuing companies</b>  6.1 -. Methods based on the balance  6.2 -. Methods based on the income statement  6.3 -. Methods based on goodwill  6.4 -. Methods based on discounted cash flow  6.5 -. The PER and profitability</p> <p>Reading Assignment:  -Corporate Finance. Ehrhardt and Brigham. Chapter 13: Corporate valuation.</p>	<p style="text-align: center;">Case 2</p>
<p style="text-align: center;"><b>7°</b></p> <p>From October 01<sup>th</sup> to 06<sup>th</sup></p>	<p><b>7 -. Valuation by multiples.</b>  7.1 -. Multiples based on capitalization  7.2 -. Multiples based on enterprise value  7.3 -. Multiples relative to growth  7.4 -. Problem with multiples</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 13: Corporate valuation</p>	
<p style="text-align: center;"><b>8°</b></p> <p>From October 08<sup>th</sup> to 13<sup>th</sup></p>	<p><b>MID TERM EXAM</b></p>	
<p style="text-align: center;"><b>9°</b></p> <p>From October 15<sup>th</sup> to 20<sup>th</sup></p>	<p><b>8 – Value with discounted cash flow. Cash flow and profit</b>  8.1 -. Cash flow accounting  8.2 -. Calculation of Cash Flow  8.3 -. Cash flow available to shareholders  8.4 -. Development Case Cash flow  8.5 -. Depreciation and amortization  8.6 -. Capital Expenditures (CAPEX)  8.7 -. Operational Funding Needs (NOF)  8.8 -. Working capital change</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 14: Capital Structure Decisions</p>	
<p style="text-align: center;"><b>10°</b></p> <p>From October 22<sup>th</sup> to 27<sup>th</sup></p>	<p><b>9 -. Cases of discounted cash flow valuation.</b>  9.1 -. Required return to an asset  9.2 -. Company with no debt and no growth  9.3 -. Company with debt and no growth  9.4 -. Company with higher debt cost than market  9.5 -. Company with higher debt</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 14: Capital Structure Decisions</p>	<p style="text-align: center;">Reading Control 3</p>

<p><b>11°</b></p> <p>From October 29<sup>th</sup> to November 03<sup>th</sup></p>	<p><b>[10 - Discounted cash flow.</b></p> <p>10.1 - Valuation of perpetuities without growth  10.2 - Application of the CAPM and leveraged beta expression  10.3 - Perpetuities Tax  10.4 - Development of a case of a business without growth  10.5 - Valuation with constant growth  10.6 - Valuation with Discounted cash flow</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 14: Capital Structure Decisions</p>	<p>Case 3</p>
<p><b>12°</b></p> <p>From November 05<sup>th</sup> to 10<sup>th</sup></p>	<p><b>11 - Measures of value creation.</b></p> <p>11.1 - Economic benefit  11.2 - Economic value added and market value-added  11.3 - Economic value added  11.4 - Profitability and examples of EVA  11.5 - Acquisition and valuation of RJR Nabisco</p> <p>Reading Assignment:  -Corporate Finance. Michael Ehrhardt and Eugene Brigham. Chapter 3: Financial statements, Cash Flows and taxes</p>	
<p><b>13°</b></p> <p>From November 12<sup>th</sup> to 17<sup>th</sup></p>	<p><b>12 - Application of technical analysis</b></p> <p>12.1 - Fibonacci Chart  12.2 - Hurst exponent Chart  12.3 - Chart bands and moving average  12.4 - Graph parabolic system</p> <p>Reading Assignment:  -Reading Assigned by the professor.</p>	<p>Reading Control 4</p>
<p><b>14°</b></p> <p>From November 19<sup>th</sup> to 24<sup>th</sup></p>	<p>13 - Application of technical analysis</p> <p>13.5 - Oscillator Bollinger  13.6 - McClellan Oscillator  13.7 - Convergence and divergence of moving averages  13.8 - Relative Strength Index - RSI  13.9 - Stochastic indicator.</p> <p>Reading Assignment:  -Reading Assigned by the professor.</p>	<p>Case 4</p>
<p><b>15°</b></p> <p>From November 26<sup>th</sup> to December 01<sup>th</sup></p>	<p>Presentation  Individual Research Paper</p>	<p>Business Case Due</p>
<p><b>16°</b></p> <p>From December 03<sup>th</sup> to 08<sup>th</sup></p>	<p><b>FINAL EXAMS</b></p>	

## VIII. Bibliography

---

Corporate Finance: A Focused Approach, 4<sup>th</sup> edition, Michael Ehrhardt and Eugene Brigham

Valuation: Measuring and Managing the Value of Companies, University Edition, 5th Edition (Wiley Finance) McKinsey & Company Inc. (Author), Tim Koller (Author), Marc Goedhart (Author), David Wessels (Author)

Fundamentals of Investing (12th Edition) [Hardcover] Lawrence J. Gitman (Author), Michael D. Joehnk (Author)

### Additional Bibliography

Economic events

[HTTP://ONLINE.WSJ.COM/](http://ONLINE.WSJ.COM/)

<http://online.barrons.com/>

<http://www.investors.com/>

[www.federalreserve.gov](http://www.federalreserve.gov)

Institutional News

[www.bloomberg.com](http://www.bloomberg.com)

[www.business.com](http://www.business.com)

[www.marketwatch.com](http://www.marketwatch.com)

Finance Portals

[HTTP://FINANCE.YAHOO.COM/](http://FINANCE.YAHOO.COM/)

[HTTP://WWW.MORNINGSTAR.COM/](http://WWW.MORNINGSTAR.COM/)

[HTTP://MONEY.CNN.COM/](http://MONEY.CNN.COM/)

[HTTP://WWW.INVESTOPEDIA.COM/](http://WWW.INVESTOPEDIA.COM/)

## IX. Professor

---

Guillermo Dávila Jaramillo  
[gdavila@esan.edu.pe](mailto:gdavila@esan.edu.pe)