



Syllabus

Investments Evaluation

August – December 2018

X Term

Professor

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I. General Information

Course : Investments Evaluation
Requirements : Corporate Finance
Credits : 4

Code : 04503
Semester : 2018-2
Cycle : X

II. Summary

The course presents methodologies, concepts and techniques for economics and financial evaluation of investment projects.

Topics: General concepts about projects formulation, types and viability of projects, schedule of a project, structure of investments, current assets and working capital investments. Economic forecast: profits and loss statement, cash flow and balance sheet. Depreciation, taxes and amortization uses. Project evaluation indicators: NPV, IRR, cost benefit analysis, recovery time. Economic and finance evaluation. Financing alternatives and structures. Financing costs, financial forecasting, debt capital ratio.

III. Course Objective

- Understand purpose of investments evaluation in financial decisions.
- Know financial and economic tools that are important to prepare and forecast cash flows before an evaluation of a project.
- Obtain knowledge about concepts and methods used in investments evaluation.
- Understand financing alternatives for companies and their relevance in financing structure.
- Know social evaluation process and its legal framework.
- Comprehend financial investments process.

IV. Knowledge results

At the end of the course, the student will:

- Recognize investments evaluation importance in financial decisions.
- Know the tools that are necessary for the development of information and financial projections and how they affect the evaluation of investments.
- Apply private evaluation techniques.
- Comprehend social evaluation process, its methodologies and framework.
- Know main financial instruments and valuation techniques.

V. Methodologies

Teacher will motivate student participation. Teacher will guide, and lead knowledge process. Teamwork is highly important to enforce knowledge and student competences development.

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 an 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

Evaluation system is permanent and integral. It involves continuous evaluation (40%), partial exam (30%) and final exam (30%), according to the following:

Continuous Evaluation (PEP) 40%		
Types of evaluation	Description	Percentage %
Case studies	4	30
Qualified Practices	4	30
Final Paper	Research paper	20
Other activities	Class Attendance and Participation	20

To obtain final grade we use the following formula:

$$FG = (0, 30 \times PE) + (0, 40 \times CE) + (0, 30 \times FE)$$

Where:

FG = Final Grade
 EP = Partial Exam
 CE = Continuous Evaluation
 FE = Final Exam

VII. Course details per week

WEEK	CONTENT	ACTIVITIES / EVALUACIÓN
1° From August 20 th to 25 th	1. Project Evaluation 1.1. General Concepts 1.2. Types of Projects - Sapag: Chap. I Introductory Concepts	
	2. Project Evaluation 2.1. Viability of a project 2.2. Project stages - Sapag: Chap. I Introductory Concepts	
	3. Forecasting 3.1. Macroeconomic Indicators 3.2. Microeconomic Indicators 3.3. Other indicators 3.4. Information sources for forecasts: MEF, BCR, others. - Sapag: Chap. II Market behavior: economic framework	
2° From August 27 th to September 01 th	4. Financial Statements analysis 4.1. Financial Statements: Balance Sheet 4.2. Financial Statements: Profits and losses 4.3. Depreciation and amortization treatment. 4.4. Financial Indicators - Bodie & Merton: Chap. III Financial Statements meaning.	Case 1
	5. Cash Flow 5.1. Cash Flow forecast 5.2. Income tax treatment - Bodie & Merton: Chap. VI Capital budget: basics.	
3° From September 03 th to 08 th	6. Project evaluation principles 6.1. Capital budgeting process 6.2. Investment proposals process 6.3. Investments proposals evaluation and selection. 6.4. Capital budgeting approval and control. - Bodie & Merton: Cap. VI Capital budget: basics.	Qualified Practice 01
	7. Project Evaluation Methods: discounted cash flow. 7.1. Net present value method (NPV) 7.2. Discount rate 7.3. NPV examples 7.4. Internal Rate of Return method - Bodie & Merton: Cap. IV Time value of money	
4° From September 10 th to 15 th	8. Project Evaluation methods: other methods 8.1. Cost Benefit Method 8.2. Investment recovery time 8.3. Accounting internal rate	Qualified Practice 02
	9. Project Evaluation Methods: other methods 9.1. Cost Benefit Method 9.2. Investment recovery time 9.3. Accounting internal rate	
5° From September 17 th to 22 th	10. Project Evaluation Methods: other methods 10.1. Cost Benefit Method 10.2. Investment recovery time 10.3. Accounting internal rate	Case 2
	11. Project Evaluation Methods: other methods 11.1. Cost Benefit Method 11.2. Investment recovery time 11.3. Accounting internal rate	
6° From September 24 th to 29 th	12. Project Evaluation Methods: other methods 12.1. Cost Benefit Method 12.2. Investment recovery time 12.3. Accounting internal rate	
	13. Project Evaluation Methods: other methods 13.1. Cost Benefit Method 13.2. Investment recovery time 13.3. Accounting internal rate	
7° From October 01 th to 06 th		
8° From October 08 th to 13 th	MID TERM EXAM	

<p>9°</p> <p>From October 15th to 20th</p>	<p>9. Economic and financial evaluation</p> <p>9.1. Financing structure 9.2. Financing and structuring alternatives 9.3. Financing sources costs 9.4. Cost of capital 9.5. Capital debt ratio and its effects 9.6. Weighted adjusted cost of capital – WACC</p> <hr/> <p>- Bodie & Merton: Chap. XVIII Capital structure</p>	
<p>10°</p> <p>From October 22th to 27th</p>	<p>10. Social Project Evaluation: General concepts</p> <p>10.1. Social prices 10.2. Social value of time 10.3. Social NPV calculus 10.4. Minimum cost projects</p>	<p>Case 3</p>
<p>11°</p> <p>From October 29th to November 03th</p>	<p>11. Social Evaluation Methodology</p> <p>11.1. Cost Benefit approach - NPV 11.2. Cost efficiency approach - CAE 11.3. Primary services projects</p>	<p>Qualified Practice 03</p>
<p>12°</p> <p>From November 05th to 10th</p>	<p>12. Evaluation of financial investments</p> <p>12.1. Fixed Income assets - concepts 12.2. Valuation 12.3. Exercises</p> <hr/> <p>- Bodie & Merton: Cap. VIII Fixed Income Valuation: Bonds, or - Smart, Gitman & Joehnk; Chap. 10</p>	
<p>13°</p> <p>From November 12th to 17th</p>	<p>13. Evaluation of financial investments</p> <p>13.1. Equities - concepts 13.2. Valuation 13.3. Exercises</p> <hr/> <p>- Bodie & Merton: Chap. IX Equities valuation, or - Smart, Gitman & Joehnk; Chap. 8</p>	<p>Case 4</p>
<p>14°</p> <p>From November 19th to 24th</p>	<p>14. Evaluation of financial investments</p> <p>14.1. Mutual Funds - concepts 14.2. Valuation 14.3. Exercises</p> <hr/> <p>- Smart, Gitman & Joehnk; Chap. 12</p>	<p>Qualified Practice 04</p>
<p>15°</p> <p>From November 26th to December 01th</p>	<p>Term Paper Presentation</p>	
<p>17°</p> <p>From December 03th to 08th</p>	<p>FINAL EXAMS</p>	

VIII. Bibliography

Main Bibliography:

- Zvie Bodie and Robert Merton, Finance, Prentice Hall, Pearson
- Nassir Sapag Chain, Proyectos de Inversión: Formulación y evaluación, Pearson 2007.

For Additional information:

- Stephen A. Ross, Randolph Westerfield & Jeffrey Jaffe, Corporate Finance, Ninth Edition
- Smart, Gitman & Joehnk, Fundamentals of Investing, Pearson 2017

IX. Professor

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