

NOVA Information Management School

NOVA IMS

Course	Entrepreneurship and Project Analysis
Coordinator	Jorge Bravo
ECTS	4
Objectives:	<p>At the end of the semester students should be able to:</p> <ul style="list-style-type: none"> - Know the process of decision-oriented evaluation of investment projects - Identify the various stages of developing a business plan - Prepare a real business plan - Understand the basics of financial statements - Understand the scope of investment project analysis and the different approaches to valuation - Understanding of the determinants of an investment's cost of capital - Estimate the inputs of discounted cash flow valuation methods - Understand, distinguish and calculate the different criteria used for investment project analysis - Analyse investment projects under risk and uncertainty - Rank and select between different investment projects - Know how to build a financial model in Excel - learn about real options and how we can increase the value of an opportunity by timing or staging our investment - Understand value enhancement methods for investment project analysis
Curricular Unit Contents:	<ol style="list-style-type: none"> 1. Entrepreneurship: where do investment ideas come from? 2. Preparing a Business Plan: Market & Strategic analysis, marketing strategy, funding sources, Financial Statements, Forecasting a Project's Earnings & Cash Flows, Shareholder Value 3. Scope of Investment Project Analysis: The classification of investment projects; Goals of project appraisal: socioeconomic appraisal and financial appraisal; Cost-benefit and multicriteria decision analysis; Approaches to Valuation; Interest Rates and the Time Value of Money. 4. Criteria for investment project analysis: Net Present Value (NPV) and other Discounted Cash Flow (DCF) Approaches, Internal Rate of Return

	<p>(IRR), Other investment criteria: modified IRR; Profitability Index, Payback period; Average Accounting Return; Adjusted Present Value; Break-Even and financial equilibrium analysis; Real Option Methodology.</p> <p>5. Estimating the inputs of Discounted Cash Flow Valuation: Cash flows measures; Cost of Capital: Capital Asset Pricing Model, Arbitrage Pricing Theory, The Risk free Rate, Equity Risk and Country Premiums, Regression Betas; Debt: Measure & Cost; Financing Weights and the WCCC, Accounting for inflation</p> <p>6. Selecting between different projects: Projects with Different Lives; Ranking Independent Projects; Ranking Mutually Exclusive Projects; Projects with Different Size; investment selection under specific circumstances; Differential cash flows and replacement analysis; Choosing between long and short-lived equipment; Optimal timing of investment; Capital rationing.</p> <p>7. Project Analysis under Risk and Uncertainty: Empirical methods; Sensitivity Analysis; Probabilistic methods; Monte Carlo Simulation; Decision theory methods</p> <p>8. Value Enhancement: Economic Profit, CVA, EVA and CFROI.</p>
<p>Teaching methods:</p>	<p>Expositional and Questioning Methods</p> <p>Active Methods and Case Studies</p> <p>Investigation projects and practical applications</p> <p>Knowledge development and learning capability</p>
<p>Grading methods:</p>	<p>Group Work Assignments (50% of final grade)</p> <p>Individual final written exam (50% of final grade, with a minimum grade of 9/20)</p>
<p>Bibliography:</p>	<ul style="list-style-type: none"> • Brealey, R., Myers, S. & Allen, F. (2014). Principles of Corporate Finance, 11/e, McGraw Hill. • Damodaran, A. (2012). Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 3rd Edition, John Wiley and Sons. • McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels (2010). Valuation - Measuring and Managing the Value of Companies 5Ed, Wiley. • COMISSÃO EUROPEIA (2002), Guide to Cost-Benefit Analysis of Investment Projects, DG da Política Regional.

	<ul style="list-style-type: none">• CEBOLA, A. (2011), Projectos de Investimento de Pequenas e Médias Empresas, Elaboração e Análise, Edições Sílabo, Lisboa.
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