

Suggested Example Problems
Investment Valuation – Damodaran

Lecture 5 – Final Steps in DCF Analysis

In Lectures 3 and 4, we discussed measurement and forecasting of earnings and cash flows. In Lecture 5, we will discuss the final steps in DCF valuation. Chapter 16 deals with final adjustments that must be made in order to estimate equity value per share. This discussion includes adjustments for holdings in other firms and for employee stock options. In Chapters 13 through 15, Damodaran provides numerous examples of valuations based on the dividend discount model, the FCFE model, and the FCFF model. While there is little new material here, the chapters and related problems should help to bring the whole valuation process together.

Discussion Problems:

Complete the problems on the attached page and be prepared to discuss your solutions in class.

Suggested Problems (Do Not Turn In):

The following suggested problems will give you a basic idea of the topics that I want to emphasize from the text. The solutions to these problems are available on the class web site.

Chapter	Topic	Suggested Problems
16	From Firm Value to Equity Value per Share	1, 2, 6, 8
13	The Dividend Discount Model	1, 2, 3
14	The FCFE Model	1, 4, 7
15	The FCFF Model	1, 3

