

Óbuda University

Keleti Faculty of Business Economics

GSVEVOBMNE Value Based Management

Institute:	Szervezési és Vezetési Intézet		Kreditérték:	3	
Division:	full time	Nyelv:	english	Félév:	winter
Study:	MA in Business Development				
Course Owner:	József Berecz Ph.D.		Teacher:	József Berecz Ph.D.	
Prerequisites:	Managarial Economics, Accounting & Controlling				
Weekly / semester hours:	weekly	Course:	2	Classroom practice:	1
		Lab:		Consultation:	
Requirement:	midterm mark				
Educational purpose:	<p>Value based management is the management approach that ensures corporations are run consistently on maximizing shareholder value.. This management approach aims to provide consistency of: (1) the corporate mission, (2) strategy, (3) corporate governance, (4) corporate culture, (5) communication, (6) organizational structure of the corporation, (7) the decision making process, (8) the performance management and system and incentive systems with the corporate goals and value of the company (value of the company's share).</p> <p>This course covers the different aspects of implementing value-based management in a company. The focus of the course lies on the concept of economic value added (EVA) as a corporate and business unit performance measure. The course discusses the link between value creation and EVA and possible advantages and disadvantages of EVA as a performance measure for corporate performance as well as for the performance of responsibility centers in a company's organizational hierarchy. The use of financial and non-financial value drivers to complement the implementation of a company's performance measurement system is also taken into consideration. Thereby the students are also introduced to the ratio analysis of a company's financial statements and to the concept of earnings quality. Several case studies are used to make the students get familiar with EVA calculations including the most relevant accounting adjustments in practice and the problems and proposed solutions of calculating the cost of capital. The course presents diverse means of compensation to achieve the different objectives, like stock options and bonus plans.</p>				
Mid-tern requirements (task, thesis, essay, etc.):	one test, two presentation and one analysis of a company				
Week of Education	Topic				
1.	Value Maximization and Corporate Objectives				
	Objectives of value-based management concepts				
2.	Measuring Income: Financial Statement				
	Purpose and use of ratio analysis				
3.	Measuring Value Creation: Value-Based Performance Measures				
	Discounted Cash Flow as a starting point				
4.	Business valuation				
	Enterprise value vs. Shareholder value				
5.	Value-Based Performance Measures – An Overview				
	Relationships between EVA, MVA, SVA and DCF				
6.	FCFF, EVA and ROIC				
	Calculating EVA				

7.	Accounting Adjustments: Overview Objectives of accounting adjustments
8.	Effects of depreciation on performance Expenses with investment character: Successful efforts accounting and R&D costs
9.	Capitalizing operating leases A framework for thinking about EVA and accounting adjustments
10.	Calculating the Cost of Capital Calculating the cost of equity: The CAPM, Capital structure choice
11.	Management Compensation: Objectives and Alternatives Fundamental objectives of management compensation
12.	Identifying the Drivers of Value Creation Financial and non-financial value drivers
13.	Working capital management Process-based performance measurement
14.	The implementation process Balanced Scorecard, Strategic maps
Grading:	Test must be at least 50% for acceptance and it gives 40%, and the mark of the two presentation and the essay together give the 60% of the total grade.
Compulsory literature:	Copeland, T. - Koller, T. Murrin, J.: Valuation: Measuring and Managing the Value of Companies, University Edition (Wiley Finance), 2000
	Rappaport, A.: Creating Shareholder Value: A Guide for Managers and Investors, 1997
	Stern, J.M. - Shiely, J.S. - Ross, I.: The EVA Challenge: Implementing Value-Added Change in an Organization Wiley & Sons, 2001
	Stewart, B.: Best-Practice EVA: The Definitive Guide to Measuring and Maximizing Shareholder Value, Wiley & Sons 2013
Recommended literature:	Damodaran, A.: Investment Valuation: Tools And Techniques For Determining The Value Of Any Asset, 3rd Edition Wiley & Sons (2012)
	Damodaran, A.: The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit, Wiley & Sons 2011
	Neely, A. - Adams, C. - Kennerley, M.: The performance prism: The Scorecard for Measuring and Managing Business Success, FT Prentice Hall 2002
	Kaplan, R.S. - Norton, D.P. : Strategy Maps: Converting Intangible Assets into Tangible Outcomes, Harvard Business 2004.