

# REAL OPTIONS VALUATION

## COURSE OBJECTIVE

The main objective of the course is to help students develop a framework for analyzing decisions related to capital budgeting and corporate investment under uncertainty and flexibility. The course begins with an overview of a traditional “static” approach to capital budgeting. Despite its popularity, the approach can often fail to properly account for the flexibility and strategic nature of many types of corporate investment. Therefore, the course introduces the paradigm of real options valuation (ROV). The ROV approach utilizes techniques of contingent claims analysis to evaluate and manage corporate investment. The topics discussed in the course are related to applications of real options to capital budgeting decisions.

## COURSE OUTLINE

Module	Topic
1	Theory of Value and Modeling Uncertainty
2	Volatility Estimation and Investment Staging
3	Multiple Sources of Risk
4	Value Erosion and Early Exercise
5	Timing and Implementation Lags