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Typically, students are presented to the concept of equity valuation using one model, the constant dividend growth, in an introductory finance course, while in more advanced finance courses, students are exposed to additional valuation models such as free cash flows, adjusted present value, residual earnings and economic profit models. Unfortunately, students do not have the opportunity to go beyond the calculations and learn the basic assumptions of each model that will lead to consistent valuations regardless of which model they choose. In this paper, we value an example company using six different models that lead to identical equity values.

Obtaining Consistent Corporate Valuations

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