

Course „Corporate Valuation without and with Personal Taxes“

Prof. Dr. Stefan Dierkes

Course Time and Location

The online course will be conducted via Zoom from **November 24th to 26th, 2025, from 10 a.m. to 5 p.m.** Course participants will receive the Zoom link via email before the beginning of the course.

Course Description and Objectives

This course gives participants a deep understanding of valuation with discounted cash flow methods under different financing strategies. The first part of the course deals with valuation with corporate taxes, but without personal taxes. Based on the capital market with the well-known CAPM, valuation with DCF approaches under active and passive debt management in a two-stage model is analyzed in detail. In addition, we clarify the necessary adjustment of the cost of equity to leverage for each financing strategy. In the second part, we analyze valuation under additional consideration of personal taxes. It is examined how to determine the cost of equity after personal taxes with the TAX-CAPM. Afterward, we clarify the relationship between valuation without and with personal taxes, and we analyze the valuation of a firm in a two-stage model with personal taxes under active and passive debt management. Furthermore, we derive the formulae to adjust the cost of equity after personal taxes to leverage for all financing strategies. Finally, the effects of the additional consideration of share repurchases on the value of a firm are integrated into the valuation approaches. The course not only provides theoretical competencies, but by implementing various exercises in Excel, the participants gain various practical skills in valuation.

Course Prerequisites

Course participants should have basic skills in valuation with discounted cash flow methods and in determining the cost of equity with the CAPM. Furthermore, participants should be familiar with using Excel. Knowledge about the incorporation of personal taxes in valuation is not necessary.

Course Target Group

The course is suitable for master's and Ph.D. students with a particular interest in valuation with discounted cash flow methods and a capital market-oriented foundation of valuation.

Course Application

The course is open to students from the University of Kyiv (Ukraine), the University of Tartu (Estonia), the University of Ghent (Belgium), and the University of Göttingen (Germany). Furthermore, students from all other ENLIGHT partner universities are also eligible to participate. The number of participants is restricted to a maximum of 10 students from each university and a maximum of 40 students in total. Interested students can apply to Prof. Dierkes from 13 to 31 October 2025 via email (stefan.dierkes@wiwi.uni-goettingen.de), including their name, university, study program, and semester. Students will receive information about admission to the course via email within one week after the application deadline.

Course Assessment and Credits

Assessment is based on group valuation exercises, mainly during the course. Each group comprises one student from each university, which amounts to four students. Valuation exercises during the course have to be solved with Excel. One complex exercise is given at the end of the course, and the teams have to send a well-formatted Excel file with the solution within two weeks after the end of the course. Excel files with the solutions of the exercises must be emailed to the email address given in the information about the course application. Depending on the regulations of each university, students receive 4 or 6 credits for successfully participating in the course.

Course Material and Readings

Lecture slides and a list of the symbols will be circulated upfront. The literature for the course is given below.

Course Outline

1. Introduction
2. Valuation only with Corporate Taxes
 - 2.1 Capital Markets and CAPM
 - 2.2 Profit Taxation and Financing Strategies
 - 2.3 Discounted Cash Flow (DCF) Approaches
 - 2.4 Valuation with Passive Debt Management
 - 2.5 Valuation with Active Debt Management
 - 2.6 Comparison of Valuation with Passive and Active Debt Management
3. Valuation with Corporate and Personal Taxes
 - 3.1 Relationship between Valuation Approaches without and with Personal Taxes
 - 3.2 Tax-CAPM
 - 3.3 Valuation of an Unlevered Firm
 - 3.4 Valuation with Passive Debt Management
 - 3.5 Valuation with Active Debt Management
 - 3.6 Valuation with Share Repurchases
4. Problems and Simplifications in Valuation Practice
5. Summary

Course Literature

Berk J, DeMarzo P: Corporate Finance, 6th ed., Essex 2024.

Brealey RA, Myers SC, Allen F, Edmans A: Principles of corporate finance, 14th ed. New York 2022.

Copeland TE, Weston JF, Shastri K: Financial Theory and Corporate Policy, 4th ed., Boston 2014.

Clubb C, Doran P: On the Weighted Average Cost of Capital with Personal Taxes, in: Accounting and Business Research, Vol. 23, 1992, 44-48.

Diedrich R, Dierkes S: Kapitalmarktorientierte Unternehmensbewertung, Stuttgart 2015.

Diedrich R, Dierkes S, Gröger HC: A note on the cost of capital with fixed payout ratios, in: Review of Quantitative Finance and Accounting, Vol. 59, 2022, 1559-1575.

Diedrich R, Dierkes S, Sumpelmann J: Valuation with Personal Taxes and Share Repurchases, in: Journal of Business Finance and Accounting, Vol. 50, 2023, 1502-1524.

- Dierkes S, Schäfer U: Corporate taxes, capital structure, and valuation: Combining Modigliani/Miller and Miles Ezzell, in: Review of Quantitative Finance and Accounting, Vol. 48, 2016, 363-383.
- Dierkes S., Sümpelmann J.: Valuation with Personal Taxes under Passive Debt Management, in: Review of Quantitative Finance and Accounting, Vol. 52, 2025.
- Elton EJ, Gruber MJ, Brown SJ, Goetzmann WN: Modern Portfolio Theory and Investment Analysis, 9th ed., New York 2014.
- Harris RS, Pringle JJ: Risk-adjusted discount rates – Extensions from the average risk case, in: Journal of Financial Research, Vol. 8, 1985, 237-244.
- Inselbag L, Kaufhold H: Two dcf approaches for valuing companies under alternative financing strategies (and how to choose between them), in: Journal of Applied Corporate Finance, Vol. 10, 1997, 114-122.
- Koller T, Goedhart M, Wessels D: Valuation – Measuring and Managing the Value of Companies, 7th ed., Hoboken 2020.
- Kruschwitz L, Löffler A: Stochastic Discounted Cash Flow – A Theory of the Valuation of Firms, Berlin 2020.
- Miles JA, Ezzell JR: The weighted average cost of capital, perfect capital markets, and project life – A clarification, in: Journal of Financial and Quantitative Analysis, Vol. 15, 1980, 719-730.
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- Penman SH: Financial Statement Analysis and Security Valuation, 6th ed., New York 2013.