

2005

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Nan Hua

Arun Upneja

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### Recommended Citation

Hua, Nan and Upneja, Arun (2005) "True Market Value of Lodging Stocks: A Convergence Approach," *Journal of Hospitality Financial Management*: Vol. 13 : Iss. 1 , Article 14.

Available at: <http://scholarworks.umass.edu/jhfm/vol13/iss1/14>

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# TRUE MARKET VALUE OF LODGING STOCKS: A CONVERGENCE APPROACH

Nan Hua  
and  
Arun Upneja

## ABSTRACT

The discounted cash flow model (DCF) has been one of the most frequently used models in the area of asset pricing. (Cornell B., 1993; Grant, 2003; Kim, 1986; Weaver, 1989) However, there is an inherent circularity problem where one needs to know the weighted average cost of capital to estimate the firm value and one needs to know the firm value, specifically the equity to debt ratio, to estimate the weighted average cost of capital. Mohanty (2003) proposed a hypothetical approach to solve the problem. The approach may have important empirical implications to the lodging stock market. If parameters in the approach are estimated reasonably accurate, the estimate from the approach will be able to serve as a critical trading criterion for lodging stock selections.

### **Reference**

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