



INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR
POST GRADUATE DIPLOMA IN MANAGEMENT
Financial Modeling and Valuation Techniques (FN613)
CREDIT: Full credit (three credits)
SESSION DURATION: 60 Minutes

FACULTY: Prof. Sushil Kalyani

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Office hours: 10 AM – 5.30 PM

Consulting hours: 3.30 PM to 5.30 PM

TERM: VI

YEAR: 2019

BATCH: PGDM 2018-20

Course Introduction:

The course aims to develop the capability of financial modelling using excel and using it to find solutions to business problems and for decision making. Modelling techniques for accurate financial forecasting are used in many areas of finance, such as derivatives, valuation, project evaluation, deal structuring, portfolio management and the like. In the course, the participants will learn the model building skills required to build powerful models in finance with the help of excel. There are many features of model building that are common irrespective of the final model that one intends to build. In the course the emphasis is on the different model building skills that one should have irrespective of the final use that one is going to make of it. By the end of the course the participants should be better able to understand the basic and advanced features of excel; understand how to build models in excel to suit one's purpose; build models in different areas of finance including investments, corporate finance and derivatives; identify and control the key sensitivities with advanced spread-sheet simulation; understand how risk can be built into the model to enhance decision making process.

Learning Outcomes:

- LO1. To develop the understanding of financial modelling using excel and using it to find solutions to business problems and for decision making.
- LO2. To develop a working business model for equity valuation for a minimum of 2 companies.
- LO3. Ability to apply tools for sensitivity & scenario analysis.
- LO4. Ability to forecast financial statements and apply various valuation techniques.
- LO5. Ability to apply Monte Carlo simulation techniques in order to analyse all dimensions of forecasting and valuation.
- LO6. To understand modelling techniques for accurate financial forecasting for valuation.
- LO7. To understand the interlink- age between financial statements and other schedules used in financial statement modelling.
- LO8. Capability to use dynamic charting tools in Excel.

Course Pedagogy: The course will be delivered through a combination of lectures, PPTs, working on Excel majorly and classroom case discussions. Students are expected to come prepared for the class by reading

the prescribed materials. A few relevant cases shall be discussed in the class to strengthen the learning. Power point slides of class lectures and all other relevant material will be made available to students.

Course Readings:

1. Financial modeling-Simon Beninga, MIT Press
2. Investment Valuation: Tools and Techniques for determining the Value of Any Asset- Aswath Damodaran
3. Financial Valuation: Application and Models, 3rd Edition- James Hitchner
4. Financial Analysis and Modeling using Excel and VBA, Chandan Sengupta, Wiley Publication.
5. Valuation measuring and managing the value, 3rd Ed., Copeland, Wiley publication.
6. Business Analysis and Valuation Using Financial Statements: Text and Cases, Paul M. Healy and Krishna G. Palepu

Web resources:

[www.damodaranonline](http://www.damodaranonline.com)
www.edupristine.com
www.wallstreetprep.com
www.wallstreetmojo.com

Course Evaluation criteria (%)

| Component | Weightage | Learning outcome mapped |
|---------------------|-----------|-------------------------|
| Quizzes | 15% | LO1-LO3, LO5-LO7 |
| Assignment | 15% | LO3, LO4, LO8 |
| Class Participation | 15% | LO1-LO8 |
| Group Project | 15% | LO |
| End-term Exam | 40% | LO2-LO10 |

Plagiarism

We are committed to upholding the highest standards of academic integrity and honesty. Plagiarism is the use of or presentation of ideas, works that are not one's own and which are not common knowledge, without granting credit to the originator. You may refer the already available content just for your reference and to get the basic ideas. Only 20% of such content is acceptable, above that comes under the definition of Plagiarism which is unacceptable in IMI and will be treated seriously. All such cases will be referred to the appropriate body of the Institute for suitable disciplinary action.

Session Plan:

| Session | Topics | Learning Outcome | Reading chapter |
|---------|----------------------|------------------|-----------------|
| 1, 2 | Excel Functioning: - | LO1, LO2 | Ch-1 &33 |

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|------------|--|---------------|-----------------|
| | Handling dates, Scenario Analysis, What-If Sensitivity, V-lookup, Offset, Match, Dynamic Charting with Automated Inputs | | |
| 3, 4 | Goal Seek, Auditing Toolbars, Watch Windows Handling Circular Reference, Audit Functions | LO2, LO3 | Ch-1 &33 |
| 5, 6 | Grouping Functions, Choose Function, Range Naming Techniques, Calculate Enable/Disable Option | LO2, LO3 | Excel Resources |
| 7, 8 | Filters (To Display Selected Queries), Data Input Validation, Data Tables for Sensitivity Analysis | LO3 | Excel Resources |
| 9, 10, | Basics of Model Building with Excel Spread sheets, Designing Model, Testing A Model | LO4 | Ch-3 |
| 11, 12, 13 | Discuss Strategic Rationale, Regulatory Roadblocks/Challenges, Control Premiums, Synergies, Revenue drivers for various industries | LO5 | Ch-4 |
| 14 | Cost drivers for various industries, Basis of Debt payment schedule | LO5 | Ch-4 |
| 15, 16 | Building a debt payment schedule; interaction with minimum cash balance; Debt revolver | LO6 | Ch-30 |
| 17, 18 | Deferred assets and liabilities; Effective and Marginal tax rate, Forecasting DTA and DTL | LO6, LO7, LO8 | Notes |
| 19, 20 | Determination of WCR; Key ratios used, Building a WC schedule | LO8, LO9 | Notes |
| 21, 22 | Basics of building asset schedule; Calculation of Depreciation & its interaction with Capex | LO9 | Ch-4 |
| 23, 24, 25 | Building an Asset schedule, Integrating with BS and Cash flow statement | LO10 | Notes |
| 26, 27 | Balance Sheet, Income Statement and Cash Flow Adjustments | LO10, LO11 | Notes |
| 28, 29, 30 | Building a whole DCF Model for Valuation | LO11 | Notes |