

FIN 4934
Financial Modeling

Course Syllabus
Fall 2012 Term

COURSE INSTRUCTOR

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COURSE OVERVIEW AND OBJECTIVES

Purpose: The goals for this course are two-fold

1. To understand how value is created in a business. We will do this by:
 - a. Developing pro-forma cash flow statements
 - b. Evaluate the firm's risk to calculate its cost of capital.
 - c. Use the pro-forma and cost of capital to value a business.
2. To be able to use and create intricate spreadsheet models.

COURSE PREREQUISITE

FIN3403 with a grade of B or better, or an equivalent course as approved by the College's Undergraduate Programs Office, Room 267 David Stuzin Hall, Phone: 273-0165.

COURSE MATERIALS TO PURCHASE FROM BOOKSTORE / ONLINE

The required materials for the course will be:

1. *Financial Modeling*, 3rd Edition, by Simon Benninga. The second edition is fine as well.
2. Lecture Notes, available in the Sakai course website.
3. Laptop/Excel. You must have and bring a Windows-based laptop to class that has Excel. Apple will not work, since you cannot run macros in Mac OS.

Press clippings from various periodicals and videos will be used during the course. (Some) links to these will be posted in Sakai.

COURSE GRADES

Students will be able to access their course grades and their grades for each of the assignments through the Grade Book function of Sakai. Course grades will be calculated using the following weights:

Participation	100
Projects (3 at 200 pts each)	600
Quizzes (2 @ 150 pts each)	<u>300</u>
	1000

Final course grades will be determined based on relative standing in the course. Roughly, the top 25% will earn an A or A-, the middle 50% will be B+, B, and B-, and the last 25% will get Cs. I will post your rank in the course after each exam.

ATTENDANCE AND MAKE-UP POLICY

Attendance is mandatory. Each unexcused absence will result in a 25 point penalty. Further, if you have an unexcused absence on a quiz date, the quiz will be scored as a zero. An absence from class or missing a quiz is considered excused only if there is an acceptable reason according to UF guidelines, such as an unexpected medical situation, religious holidays, etc. The UF guidelines are here: <https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>. According to the policy, it is the student's responsibility to notify me of an excused absence and provide documentation in a timely fashion.

COURSE TEAM PROJECTS

There are three projects for the term. The first is a funding exercise comparable to the AFN models developed in FIN 3403. There are also two valuation projects. In the first valuation project, you analyze a firm and prepare the pro-forma statements. In the second, you will have a chance to reevaluate the assumptions made in the first project and alter several assumptions. Thus, the second valuation project builds on the first. The projects will be done in groups of 3 to 5 members. Each group member must turn in an evaluation of the group members with each assignment. Your project grade will reflect your peer evaluations.

The projects are due at the *beginning* of class on the assigned day. These projects are expected to be professional work. Presentation is important. At a minimum:

- All text should be typed and presented in a case-like format.
- Spreadsheets and graphs should fit on one page or separated in a logical manner. They should be visually appealing, easy to read and incorporated into the text.
- You should include a cover page with each person's name and project title.
- You should have subsections labeled with brief descriptions immediately preceding the spreadsheet and qualitative analysis.
- All spreadsheets should be labeled with a title and description.
- An Excel formula sheet attached in an appendix (i.e. re-print with formulas showing by using Tools/Options/View/Formulas and lengthening cells)
- The project must be stapled.

In general, I should be able to pick up the project and follow the analysis easily without referencing the assignment. I expect that these projects will take you several hours. Each group will present a portion of project two during the last week of class. The presentations will be brief and focus on the subjective analysis. A portion of the grade for the second project will be the presentation and attendance on all presentation days. The projects are:

1. Additional Funds Needed model

You will be given the financials and other relevant data for a corporation and/or a scenario. The project involves developing a model to determine the funding needs of the company. Valuation impact based on using debt versus equity will be examined. The deliverable is a 2-3 page executive summary of the results and scenarios. Results from your Excel spreadsheet should be incorporated as Exhibits, Tables, and/or Charts. The full spreadsheet will be also handed-in.

2. Valuation model

You will be given the financials and other relevant data for a corporation and/or a scenario. The project involves developing a model to value the scenario as requested. The only deliverable is the Excel spreadsheet.

3. Pitchbook competition

Your team will be responsible for researching a firm and presenting a sell-side analysis and “pitch” presentation to the class. This will be a head-to-head competition. Grading will be based on the actual presentation (winner selected by students) and the complete Pitchbook (winner selected by Dr. Banko). A maximum of 250 points will be awarded to the group members of the winning presentation, 230 points to second place, and 210 points to third place, etc.. Please note: all students not presenting must be in class for judging the other groups. A 25 point attendance penalty will be given if you are not in class for judging.

STUDENTS WITH DISABILITIES

Students requesting classroom accommodations for their disability, including changes to the testing environment, must first register with the Dean of Students Office. The Dean of Students Office will provide documentation/forms to the student, who must then provide the documentation/forms to Dr. Banko. Please note that the Dean of Students Office requires a 7-10 day lead time to process your request after they receive the form back from you.

More information is available on the DRC website: <http://www.dso.ufl.edu/drc/>

COURSE SCHEDULE

Date	Units and Topics Covered	Required Reading and Assignments
Week 1	<u>Introduction</u> <ul style="list-style-type: none">• Syllabus• Course Framework• Valuation Basics <u>Financial Tools</u> <ul style="list-style-type: none">• Time Value of Money• Risk & Return• Financials, funding	Chapter 1
Week 2	<u>Cost of Capital</u> <ul style="list-style-type: none">• Calculating growth• Ties to financial statements	Chapter 2,3

	<u>Financial Statement Modeling</u> <ul style="list-style-type: none"> • Free cash flow for valuation • Ratio analysis Project 1 Due	
Week 3	<u>Building the financial model</u> <ul style="list-style-type: none"> • PPG Corp • Bank Model Project 2 Due	Chapter 4,5
Week 4	<u>Leases</u> <ul style="list-style-type: none"> • Introduction to methods to value the firm Quiz 1	Chapter 6,7
Week 5	<u>Valuation techniques</u> <ul style="list-style-type: none"> • FCF, FCFE • Multiples valuation • Sum of parts • Warren Buffet techniques 	Notes
Week 6	<u>M&A techniques</u> <ul style="list-style-type: none"> • Discounting free cash flow in perpetuity • Using an exit multiple 	Notes
Week 7	Project 3 & Presentation Quiz 2	