Financial Modelling in a Firm

Syllabus

Faculty: Economic Sciences
Year: 2017-2018
Course name: Financial Modelling in a Firm
Level: Master
Language of instruction: English
Period: January – March
Workload: 32 hours of classes and lectures, total load 114 hours

Coordinator: Maria S. Kokoreva
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Lecturers:
Maria Kokoreva,
Nikita Berezin, EY

Classes:
Maria Kokoreva
Ekaterina Izutova, EY
Natalia Maslova, EY
Ekaterina Kostina, EY

Course description:

The Financial Modelling in a Firm Course is aimed to provide students with the skills necessary for applying excel as a tool to provide models to make corporate financial decisions.

The course explores the best practices of financial modelling according the existent modelling guidelines. Students will learn how to build a financial model, how to create a correct system of financial statements and forecast the changes in firm’s future cash flows under different scenarios. Using practical cases, you will find out how to build financial models that are flexible, appropriate, transparent and structured and correspond to the specific financial question. You will also discuss how to make a model user-friendly and audit the quality of the models. Finally, you will get acquainted with the methods of model presentation to the different types of audience.
Course objectives:

After completing the course, the student will know:

▪ how to apply models for financial decision-making;
▪ how the valuation technics could help in financial modelling;
▪ how to create a template in Excel, that will allow building a model that is flexible and intuitive;
▪ how to check that the model is correct;
▪ how to audit the model;
▪ how to incorporate scenario analysis in forecasting firm’s future cash flows;
▪ how to present a model using a dashboard, charts, etc.

Competencies:

After completing the course, the student develops the following competencies:

- consolidation of the foundations and development of specific skills of financial modelling;
- development of a modern system of knowledge and skills that allow to build a financial model of the business depending on task specificity;
- using the skills of collecting, processing, analysing and systematizing information for compiling a financial model;
- understanding the principles of building financial models for companies from different markets;
- use of tools for sensitivity analysis and scenario analysis;
- understanding of approaches to audit the main mistakes of financial models in terms of architecture and presentation format, assumptions used, etc.

Recommended Prerequisites:
Corporate Finance-1,2, International Financial Reporting Standards

Teaching method:

- lectures;
- practical exercises;
- case studies;
- analytical tasks;
- team projects;
- self-study

Course literature:

Main texts:

Supplementary literature and sources:


6. F1F9 organisation site (www.f1f9.com/)


Grading:

Grading in the course will be based on the following criteria:

- Individual assignment: 15%
- Attendance: 10%
- Cases (team projects): 40%
- Final case: 35%
- Total: 100%
Grades criteria:

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<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Mark</th>
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<tbody>
<tr>
<td>0</td>
<td>4</td>
<td>Not passed</td>
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<tr>
<td>4</td>
<td>5</td>
<td>Satisfactory</td>
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<td>6</td>
<td>7</td>
<td>Good</td>
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<tr>
<td>8</td>
<td>10</td>
<td>Excellent</td>
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Teaching hours for topics and activities:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Total (hours)</th>
<th>Class (hours) including</th>
<th>Self-study</th>
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<tbody>
<tr>
<td></td>
<td>Lectures</td>
<td>Practice</td>
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<tr>
<td>1. Introduction to financial modelling</td>
<td>12</td>
<td>2</td>
<td>0</td>
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<tr>
<td>2. Building a model. Financial statements</td>
<td>28</td>
<td>4</td>
<td>4</td>
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<tr>
<td>3. Forecasting. Financing, discount rate and DCF</td>
<td>26</td>
<td>2</td>
<td>4</td>
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<tr>
<td>4. Model analysis and auditing</td>
<td>24</td>
<td>4</td>
<td>4</td>
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<tr>
<td>5. Best practices of financial modelling applications</td>
<td>24</td>
<td>4</td>
<td>4</td>
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<td><strong>Total:</strong></td>
<td><strong>114</strong></td>
<td><strong>16</strong></td>
<td><strong>16</strong></td>
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Course outline:

1. Introduction to financial modelling


Main texts:

3. Fitch Learning Complete Financial Modeller & Modelling Kit
2. Building a model. Financial statements


Main texts:

3. Fitch Learning Complete Financial Modeller & Modelling Kit
4. 

3. Forecasting. Financing, discount rate and DCF


Main texts:

3. Fitch Learning Complete Financial Modeller & Modelling Kit

4. Model analysis and auditing


Main texts:

3. Fitch Learning Complete Financial Modeller & Modelling Kit
5. Best practices of financial modelling applications


Main texts:

3. Fitch Learning Complete Financial Modeller & Modelling Kit

Preliminary list of cases and analytical tasks:

1. (individual task)
   Based on the sample model developed in class the task is to improve it both in terms of calculations, forecasts and scenarios as well as in terms of design, formatting and presentation. A report and model description is developed.
2. (team project)
   Cases on financial modelling for evaluating investment decisions:
   “ChinaCarb” Case by University of Virginia Darden Business Publishing; “Carded Graphics, LLC: Sheeter Replacement Decision” Case by University of Virginia Darden Business Publishing
3. (team project)
4. (individual task)
   Task on model auditing. The task is to prepare a report on the model quality:
   - You choose the either the SMART or FAST guidelines to prepare a report on
   - Check carefully whether the model goes in line with the principles you have chosen
   - Comment on the major changes that you propose for the model improvement