

**NORTH PARK UNIVERSITY**  
**School of Business and Non-Profit Management**

<b>Class #: SBNM 5321</b>	<b>Spring Quad A 2013</b>
<b>Course Title: Financial Modeling</b>	<b>Tuesday, 6:30-9:50pm (Section A2)</b>

**Instructor:**

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Office Hours: Mondays, 1:00-3:30 and Tuesday, 3:00-5:30 (all Central Time) and by appointment

**Optional Text**

Holden, Craig W., Excel Modeling and Estimation, 3rd Edition, Pearson Prentice Hall. ISBN 978-0-13-602561-0.

**Course Description:**

This course studies the planning, design, development and applications of a financial model. The goal of the course is to take many of the financial concepts learned early in the program, including Balance Sheets, Income Statements, Cash Flow Statements, business drivers and assumptions, cost of debt, equity structures, the weighted average cost of capital, tax, depreciation and amortization effects and the discounted cash flow technique to assist in pro forma analyses of a business venture.

The course will be executed in a computer lab where each student will have the majority of the period to perform the model construction. Each session will consist of an introductory content lecture that reviews the key concepts for construction. Throughout the course we will also revisit enterprise valuation, ratio analysis, capital decision making, and ultimately, perform an acquisition exercise.

Prerequisite: SBNM 5310 (Strict adherence to this prerequisite)

**Course Objectives:**

Participant learning objectives:

- Appreciate the purpose of a financial model and its contributions to decision making within the financial management function an organization
- Use Excel to construct an Assumptions page that quickly allows users to derive outputs from the model based on variable inputs
- Use Excel to construct a pro forma Income Statement, Balance Sheet and Statement of Cash Flows based off the operating assumptions of a business.
- Conduct benchmarking research of publicly traded companies in order to validate the assumptions that drive a model
- Apply commonly accepted valuation techniques in order to approximate the market value of a private venture.
- Apply real world concepts into a real world deliverable and provide consultative financial advice based on real world problems.
- Increase Excel proficiency

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**Course Overview**

<b>Wk</b>	<b>Date Tuesday</b>	<b>Topic</b>	<b>Deliverable</b>
1	Jan 15	Introduction to a Financial Model: Structure of the model, uses, layout, review of financial statement interactions	<b>Case Study</b> Text for Assumptions BS, IS and SCF
2	Jan 22	The Inner Workings of a Model: Assumptions driving outputs, formulaic structure of model, protecting the integrity of outputs	<b>Case Study</b> Formulas for Assumptions, BS, IS and SCF
3	Jan 29	Benchmarking the Model: Identification of market comparables, research to validate the assumptions of the model	<b>Benchmarking Exercise</b> Benchmarks
4	Feb 4	Dashboard for the Model: Construction of graphical, executive summary for reporting and discussion with financial constituents	<b>Dashboard Instruction.</b> Dashboard
5	Feb 11	Usability and Documentation of the Model: The aesthetics of a model, documenting model instructions and formulas, linking pages, using macros to perform useful functions	<b>Usability and Documentation</b> Instructions, Title, Table of Contents, Instructions, Documentation
6	Feb 18	Scenarios and Decision-Making with the Model: Using the model as a predictor of scenario-based outcomes to give strategic direction	<b>Scenarios to Model</b> Decision Scenarios
7	Feb 25	Valuations with the Model: Using market multiples and DCF to derive theoretical and market comparable estimates of firm value	<b>Valuation Comparisons</b> Enterprise Valuations
<b>Mar 5</b>		<b>Final Deliverable Due by 9am</b>	

*Reference Moodle for additional assignment details, instructions, deadlines and to upload/post all assignments.*

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**Course Grading**

Assignment Point Allocation

<i>Deliverable</i>	<i>Points</i>
Financial Model	100
<b><i>Overall</i></b>	<b><i>100</i></b>

Grading

Financial Model: The financial model will be graded with respect to the following criteria:

1. Layout –the model uses proper file naming conventions, headers and footers, and sheet order
2. Functionality – the assumptions in the model drive outputs and automatically updates the dashboard
3. Aesthetics – the model’s visual design is simple (including formats), appealing and easily understood by third part users
4. Structure – the model uses appropriate protections and is documented appropriately

Financial Model Deliverable Description (Content)

1. Title
2. Table of Contents
3. Instructions
4. Dashboard
5. Assumptions
6. Pro Forma Income Statement
7. Pro Forma Balance Sheet
8. Pro Forma Statement of Cash Flows
9. Benchmarks
10. Financial Scenarios
11. Enterprise Valuations
12. Documentation

Written Content: Within the financial model, all written content will be graded based on:

1. Content – the accuracy and representation of the appropriate knowledge and descriptors in context for the course
2. Organization – the logical selection and presentation of a written format that articulates a lucid and logical explanation of ideas
3. Grammar – the quality of the document relative to its spelling, grammar, punctuation and word choice.
4. Style – the creative element of writing which gives the document a certain professionally-appropriate differentiated readability

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**Course Teaching and Learning Methods**

- This course requires no readings, no tests, and no homework. It does, however, require you to keep pace with the deliverables that are demanded of you on a weekly basis.
- You should attend every session. If you cannot, it is your responsibility to do the work to keep on pace.
- See Policy on Attendance for more details.
- Participation is also a vital part of this course as we will be making decisions in class based on solid research and discussion.

A key item for success in this course: If you have questions – ASK!!! The instructor can arrange individual or group discussions to clarify topics or assignments, post information, and adjust the overall management of the course. But, if students do not convey this need, it is not known. Two online forums have also been provided for questions.

Learning is best facilitated when we work together – do not work persistently on assignments where you are confused or not making progress. Ask a class member or instructor for guidance and help (per the guidelines established above with the overview of assignments).

**Overall Expectations**

1. It is important to complete all readings, post assignments on-time, and participate in the Discussion Forums each week.
2. If you encounter a problem with an assignment, ask questions. It is preferred that you post questions in the appropriate discussion forum that has been set up for that purpose. You may however contact the instructor with your question and you will receive a private response.

Participant Responsibilities

1. Engagement and full participation are required for this class. You cannot successfully complete this course without completing the weekly deliverables.
2. Although I strongly suggest that all issues, questions, and problems be dealt with in class or online through Moodle, you can feel free to call or e-mail me regarding these issues at any time, noting the office hours I am available.
3. Use proper “netiquette” (see A Guide to Netiquette in Course Information book on Moodle).
4. I normally advise participants to plan on spending 5-10 hours per week on course responsibilities and some weeks will require more effort than others.

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Course Facilitator (Instructor) Responsibilities

1. The course facilitator will design the course and learning modules in such a way that students have every opportunity to achieve the learning objectives.
2. The course facilitator will provide reactions to student responses and discussion as appropriate in order to clarify important ideas and concepts.
3. The course facilitator will provide opportunities for group work that will include discussion as well as hands-on exercises.
4. The course facilitator will provide updated information on relevant resources for the various topics of interest.
5. The course facilitator will read and critically assess students' assignments and provide feedback within 3-5 days of receipt.
6. The course facilitator will respond to all student e-mails within 48 hours of receipt.
7. The course facilitator will respond to all student phone calls within 48 hours.

Communication Expectations

Communication skills are a major part of your academic and professional development. As this course is in the School of Business and Nonprofit Management, we will assume that I am an executive and you are an employee on my team. Therefore, every communication you send should be highly professional. This means formatted and edited for 100% accuracy in spelling, grammar, punctuation, and word choice. Your question or inquiry should be specific and clear. I will be able to respond more promptly if this is the case.

Also, I will not respond to any email that is not accurate or does not have a clear request. I check email regularly and late into the evening. If I do not respond within one business day, please apply proper diligence and follow-up, and resend your communication (assume that I've overlooked your message in error).

When authoring an email, please use an appropriate subject which is indicative of the contents of the message. For example: "Clarification question – Case 1." Your primary point of reference is this syllabus. Please review in detail before approaching me with questions about the course structure and content contained in this syllabus. Do not be surprised if I refer you to the syllabus or Moodle as an answer.

My preference for contacting me is as follows:

1. Email (at any time)
2. Office hours / Appointment to speak via telephone/Skype – arrange via email
3. Voicemail message (recognize I am seldom in my office and check messages infrequently)

Technology Tools Expectations

Understanding technology tools in today's business environment is critical. As such, I require all work be done in Microsoft Word, Excel, or Powerpoint (or equivalent) and specify the appropriate tool for each assignment.

*Computer Requirements:* In order to effectively participate in and successfully complete this course, each participant will need to have access to a computer and a high-speed internet connection. Please visit <http://www.northpark.edu/Campus-Life-and-Services/Computer-Services/Network/Minimum-Requirements> for information on computer requirements and network access.

*Moodle:* All students are expected to access Moodle. All grades and critical directions for assignments are posted on Moodle. This is also the official record for all grade-related issues. Check and audit grades regularly.

*Email:* All students are expected to check your North Park emails regularly (NOTE: Outside accounts like Yahoo and Hotmail often forwards class emails to your spam folder). I send significant information via email and expect all students to have read the information sent. If you do not use your North Park email address, please make sure email is being forwarded properly.

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*Software Tools:* All students are expected to use the appropriate software for the course. This course relies heavily on Microsoft Word, Microsoft Excel, use of the internet, and many online research resources.

**Policy on Attendance**

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following week). Failing to log into an online course site for an entire week is allowed, but a penalty may be applied at the instructor's discretion. Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents almost 30% of the engagement time for the course, the student runs the risk of receiving a lower overall grade for the class. Faculty are encouraged to drop the course grade by a full letter grade in this situation. A student who misses three classes (or the equivalent two weeks for an online class) will automatically fail the course, unless the student drops the course before the seventh week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University refund policy outlined in the University Catalog.

**Policy on Ethics**

**PLEASE READ THIS SECTION THOROUGHLY**

In keeping with our Christian heritage and commitment, North Park University (NPU) and the SBNM are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these high standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

- Plagiarism – the use of another's work as one's own without giving credit to the individual. This includes using materials from the Internet.
- Copying another's answers on an examination.
- Deliberately allowing another to copy one's answers or work.
- Signing an attendance roster for another who is not present.
- Sharing exam materials/templates or discussing any aspect of the exam with ANYONE EXCEPT the course instructor.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well. For further information on this subject you may refer to the Academic Dishonesty section of the University's Catalog (available at [www.northpark.edu](http://www.northpark.edu)). In conclusion, it is North Park's mission to prepare you for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

**Student with Disabilities**

Students with disabilities who believe that they may need accommodations in this class are encouraged to contact the SBNM program office (773-244-6270). Please do so as soon as possible to better ensure that such accommodations are implemented in a timely manner. For further information please review the following website: <http://www.northpark.edu/ada>.

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**Use of APA Publication Manual**

The School of Business and Nonprofit Management (SBNM) has adopted the Publication Manual of the American Psychological Association (APA) as the standard and required format for all written assignments in SBNM courses.

Our goal in adopting the APA Manual is to enhance student learning by:

1. Improving student's writing skills.
2. Standardizing the required format of all written assignments in all SBNM courses.
3. Emphasizing the importance of paper mechanics, grammatical constructs, and the necessity of proper citations.
4. Holding students accountable for high quality written work.

If you are unfamiliar with the requirements of the APA Publication Manual, we recommend that you purchase the reference manual and/or that you consult one or more of the suggested resources as listed on the Student Resources section of the SBNM website. *It is your responsibility to learn and ensure that all written work is formatted according to the standards of the APA Manual.*

In conclusion, it is our mission to prepare each student for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.