

**NORTH PARK UNIVERSITY**  
**School of Business and Nonprofit Management**

<b>Class #: SBNM 5321</b>	<b>Spring Quad A 2014</b>
<b>Course Title: Financial Modeling</b>	<b>Wednesday, 6:30-9:50pm (Section A3)</b>

**Instructor:**

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Office Location: 5043 N. Spaulding, 2nd Floor (East of the bridge over the river)  
Office Hours: Mon, 12:30-3:30pm and Wed, 4:00-6:00pm (all Central Time) and by appointment  
Online Hours: Generally, 9am-11am and 9pm-11pm most weekdays  
Preparation Hours: Expected: 5-7 per week (For every 1 hour in class – 2-3 hours outside class)

**Optional Text**

Holden, Craig W., Excel Modeling in Corporate Finance, 4th Edition, Pearson Prentice Hall. ISBN 978-0-13-249784-8.

**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 also address enterprise valuation, ratio analysis, capital decision making, and ultimately, performance of an acquisition analysis.

This course is taught in a **HYBRID** format with a combination of class meeting and out of class working sessions. Classes will meet on the North Park campus during Weeks 1, 4, and 7. The class sessions will include:

- Week 1: Overview of the key content of the course, review of finance theory/concepts necessary for construction of the financial model and Excel best practices.
- Week 4: Review of financial model next steps and individual model reviews.
- Week 7: Individual presentations of the financial model's output/recommendation and the model itself.

During Weeks 2, 3, 5, 6 class period, students should use class period time as working sessions, but there is no class meeting. The Professor will be online and available for consultation (via Skype, FaceTime, or phone). There will also be online forums each week allowing class members to post questions or challenges to obtain input/suggestions from colleagues and the Professor.

***Prerequisite: SBNM 5310 (Strict adherence to this prerequisite)***

**Course Objectives:**

Participant learning objectives:

- Increase Excel proficiency
- 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 for users to quickly derive outputs based on variable inputs
- Use Excel to construct a pro forma Income Statement, Balance Sheet and Statement of Cash Flows based on the operating assumptions of a business.
- Conduct benchmarking research of publicly traded companies to validate 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.

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**Course Overview**

Week	Date Wed	Topic	Deliverable
1	Jan 15	<p><b>IN-CLASS DISCUSSION</b></p> <p>Course Introduction:</p> <ol style="list-style-type: none"> <li>1. Course overview/logistics/outcomes</li> <li>2. Case Study presentation/discussion</li> </ol> <p>Finance Frameworks Review:</p> <ol style="list-style-type: none"> <li>1. Benchmarking research and analysis</li> <li>2. Financial forecast</li> <li>3. NPV</li> <li>4. Scenario analysis</li> <li>5. Valuation analysis (DCF/multiples)</li> </ol> <p>Financial Modeling Topics:</p> <ol style="list-style-type: none"> <li>1. Introduction to a Financial Model: Structure of the model, uses, layout, review of financial statement interactions</li> <li>2. The Inner Workings of a Model: Assumptions driving outputs, formulaic structure of model, protecting the integrity of outputs</li> <li>3. Usability and Documentation of the Model: The aesthetics of a model, documenting model instructions and formulas, linking pages, using macros to perform useful functions</li> </ol> <p><b>Financial Model construction – Stage 1</b></p> <ul style="list-style-type: none"> <li>• Text for Assumptions BS, IS and SCF</li> <li>• Formulas for Assumptions, BS, IS and SCF</li> <li>• Instructions, Title, Table of Contents, Documentation</li> </ul>	<b>Stage 1 Model</b>
2	Jan 22	<p><b>WORKING SESSION (NO CLASS MEETING)</b></p> <p><b>Financial Model construction – Stage 2</b></p> <ul style="list-style-type: none"> <li>• Formulas for Assumptions, BS, IS and SCF (finish)</li> <li>• Benchmarking analysis</li> </ul>	<b>Stage 2 Model</b>
3	Jan 29	<p><b>WORKING SESSION (NO CLASS MEETING)</b></p> <p><b>Financial Model construction – Stage 3</b></p> <ul style="list-style-type: none"> <li>• Benchmarking analysis (finish)</li> <li>• Financial forecast</li> <li>• Instructions, Title, Table of Contents, Documentation (update)</li> </ul>	<b>Stage 3 Model</b>

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<b>Week</b>	<b>Date Wed</b>	<b>Topic</b>	<b>Deliverable</b>
4	Feb 5	<p><b>IN-CLASS DISCUSSION/INDIVIDUAL REVIEW</b></p> <p>Financial Modeling Topics:</p> <ol style="list-style-type: none"> <li>1. Scenarios and Decision-Making with the Model: Using the model as a predictor of scenario-based outcomes to give strategic direction</li> <li>2. Valuations with the Model: Using market multiples and DCF to derive theoretical and market comparable estimates of firm value</li> <li>3. Dashboard for the Model: Construction of graphical, executive summary for reporting and discussion with financial stakeholders</li> </ol> <p>Individual model reviews (throughout the week/before-after class)</p> <p><b>Financial Model construction – Stage 4</b></p> <ul style="list-style-type: none"> <li>• Financial forecast (finish)</li> <li>• Scenario construction</li> </ul>	<b>Model Review Stage 4 Model</b>
5	Feb 12	<p><b>WORKING SESSION (NO CLASS MEETING)</b></p> <p><b>Financial Model construction – Stage 4-6</b></p> <ul style="list-style-type: none"> <li>• Scenario construction (finish)</li> <li>• Valuation construction</li> <li>• Dashboard construction</li> </ul>	<b>Stage 5 Model (Valuation)</b>
6	Feb 19	<p><b>WORKING SESSION (NO CLASS MEETING)</b></p> <p><b>Financial Model construction – Stage 5-6</b></p> <ul style="list-style-type: none"> <li>• Valuation construction (finish)</li> <li>• Dashboard construction</li> <li>• Instructions, Title, Table of Contents, Documentation (finish)</li> </ul>	<b>Stage 6 Model (Dashboard)</b>
7	Feb 26	<p><b>IN-CLASS STUDENT PRESENTATIONS</b></p> <ul style="list-style-type: none"> <li>• Summary of recommendation</li> <li>• Financial model walkthrough</li> </ul>	<b>Powerpoint and Excel model (20 min/student)</b>
<b>Sun, Mar 2</b>		<b>Final Deliverable due by midnight</b>	

**Course Grading**

<b>Deliverable</b>	<b>Points</b>
Week 4: Model Review	50
Week 7: Presentation	50
Final Model	100
<b>Overall</b>	<b>200</b>

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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
5. Creativity/Complexity – the model applies some interesting and creative approaches to demonstrate your progression in understanding the more complex Microsoft Excel features, the elements incorporated are purposeful and create usability and understanding

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. Benchmark analysis
10. Financial Scenarios
11. Enterprise Valuations
12. Documentation

Written Content/Presentation – 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

**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.
- This class runs much like an assignment would in a business environment – consider this a 7 week project that you are completing for the Instructor who is the CEO of our business.
- You should follow the outline of the syllabus for each of the deliverables and clarify your understanding of the course expectations and working approach.
- Class sessions and attendance will be discussed during Week 1. See Policy on Attendance for further details.

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).

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**Overall Expectations**

1. It is important to complete all readings, post assignments on-time, and participate as defined for the course.
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.

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)

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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/Information-Technology/Network/Minimum-Requirements> 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.

*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 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. (Solutions manuals, others work on the problems – ANYTHING).
- 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 assignment materials/templates
- Discussing any aspect of an 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.

For clarity – AVOID raising any suspicion of cheating. Anything that is in the range of using other sources of information is likely cheating given our Policy on Ethics.

**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/Campus-Life-and-Services/Disability-Resources>.

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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.