



**BUS F735/V703  
Financial Modeling  
Winter 2021 Course Outline**

**Finance and Business Economics Area  
DeGroote School of Business  
McMaster University**

**COURSE DESCRIPTION**

What is the difference between making a purpose-built spread sheet and financial modeling? Financial modeling is much more flexible and can be easily modified to solve a wide array of problems. This course will examine the tools built into Excel and VBA and their use in financial modeling. A basic knowledge of Excel is assumed with no prior experience with VBA required.

**INSTRUCTOR AND CLASS INFORMATION**

**Virtual Classroom**

*All times referenced in this document are Eastern.*

**Adeel Mahmood**

Instructor

Tel: 905-525-9140

*Office Hours: Before or after class, or by appointment*

**COURSE ELEMENTS**

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group Work: Yes	Oral skills: Yes

**COURSE PREREQUISITES AND COMPLEMENTS**

Students should have the academic credit of F600 or F650 – or an equivalent preparation – prior to the start of this course.

## COURSE OVERVIEW

This course introduces the basics of financial modelling. It is offered as a second-year course and requires an understanding of finance and a basic knowledge of excel. We will build on this knowledge to develop a more complete understanding of what makes for a good financial model and how to go about building one.

## LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Design and layout a financial model.
- Decide on which variables are independent and how to vary them.
- Become familiar with Excel and VBA, enough to be viewed as the "resident expert" in many situations.

## REQUIRED COURSE MATERIALS AND READINGS

Course content and class communication available on Avenue:

- <http://avenue.mcmaster.ca>

## OPTIONAL COURSE MATERIALS AND READINGS

Benninga; Financial Modeling; *Fourth (4<sup>th</sup>) Edition*; The MIT Press, 2014:

- ISBN: 978-0262027281
- Finance-focused modelling text, also useful in other finance courses

Walkenbach; Excel 2016 Bible; *First (1<sup>st</sup>) Edition*; Wiley, 2015:

- ISBN: 978-1119067511
- Traditional-style manual for Excel, without any particular finance focus
- Helpful in gaining understanding of broader Excel usage

<b>EVALUATION</b>
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Individual learning in this course results from model building, problem solving, and lab work. Team learning focus of this course is on two assignments and an applied group project centred on a financial model.

The final grade will be calculated as follows:

### ***Components and Weights***

Term Tests	Written online in weeks 5 and 12 (individual)	2 x 25%
Spreadsheet Assignments	Due online during the term (group)	2 x 10%
Group Project	Due online at the end of the term (group)	30%
<b>Total</b>		<b>100%</b>

### ***Term Tests***

Two (2) term tests – *open-book, open-notes* tests – will be written during the term. Specific dates and times will be announced after a review by the Registrar’s Office.

A student *missing a Term Test* is required to contact the ‘Student Experience – Academic Office’ and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If ‘Student Experience – Academic Office’ adjudicates that relief be provided, the student will be able to write an alternate exam, in lieu of the missed test, during the final exam period at the end of the term.

### ***Spreadsheet Assignments***

There are two (2) *Spreadsheet Assignments* in the course – completed in groups, submitted online, and focused on the concepts introduced in the course – and referred to as **Assignment One** and **Assignment Two**. See the course schedule for specific dates and times.

Students will form groups for this component. Each student group will also complete the **Group Project** as described elsewhere in this document. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.*

## **Group Project**

Students will form groups for this component. Each student group will also complete the **Spreadsheet Assignments** as described elsewhere in this document. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.*

The **Group Project** is **due at the end of the term**. The project will entail building and documenting a real-life financial model using the concepts covered in the course.

## **COURSES WITH AN ONLINE ELEMENT**

In this course, we may use online elements (e.g. e-mail, A2L, web pages, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

## **ONLINE PROCTORING**

In this course, we may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

## **CONDUCT EXPECTATIONS**

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the ***Code of Student Rights & Responsibilities*** (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of A2L, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

## **EXTREME CIRCUMSTANCES**

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

## **COPYRIGHT AND RECORDING**

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern.

## **COMMUNICATION AND FEEDBACK**

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors should conduct an informal course review with students to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

## **ACADEMIC DISHONESTY**

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g.

the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

## **STUDENT ACCESSIBILITY SERVICES**

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

## **ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)**

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

## **MISSED ACADEMIC WORK**

### ***Missed Mid-Term Examinations / Tests / Class Participation***

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that

test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

### ***Missed Final Examinations***

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.

Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

## **ACKNOWLEDGEMENT OF COURSE POLICIES**

Your enrolment in this course will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies cannot be invoked at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

## **RESEARCH DATA**

Any research data obtained by a student from publicly available sources for the purposes of completing term work (including data used in assignments, projects, and tests) are the joint property of the student, the instructor, and the university. All parties are free to use the research data subject to the original copyright of such data. Students hereby agree not to use in their term work any proprietary data or data subject to copyright protection without the prior written approvals of the instructor and the owner of any such copyright.

## **POTENTIAL MODIFICATIONS TO THE COURSE**

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

**COURSE SCHEDULE**

<b>Wk.</b>	<b>DATE</b>	<b>CONTENT</b>	<b>MODELING TOOL</b>
1	Tue, Jan 12	<b>Introduction</b> Intro to Financial Modelling	-
2	Tue, Jan 19	<b>Financial Statement Modelling I</b> Forecasting financial statements using spreadsheets	<ul style="list-style-type: none"> <li>• Various Excel functions / tools</li> </ul>
3	Tue, Jan 26	<b>Financial Statement Modelling II</b> Integrating financial statement worksheets	<ul style="list-style-type: none"> <li>• Various Excel functions / tools</li> </ul>
4	Tue, Feb 2	<b>Financial Statement Modelling III</b> Financial statement modules, completing valuations	<ul style="list-style-type: none"> <li>• Various Excel functions / tools</li> </ul>
5	Tue, Feb 9	<b>Term Test 1 (Written Online in Class Hours)</b>	
-	Feb 15 to 20	<b>Midterm Recess (No Classes)</b>	
6	Tue, Feb 23	<b>Portfolio Modelling</b> Investment portfolios, betas, variances, performance measurement	<ul style="list-style-type: none"> <li>• Data tables and arrays</li> <li>• Lookup operations</li> </ul>
-	Mon, Mar 1	<b>Assignment One (Due Online by 11.00 AM Eastern Time)</b>	
7	Tue, Mar 2	<b>Forecasting and Optimization</b> Macro forecasting, optimization techniques, predictive analytics	<ul style="list-style-type: none"> <li>• Solver, Analysis Toolkit, Regression, Scenario analysis</li> </ul>
8	Tue, Mar 9	<b>Working with External Data</b> Integration with online data sources and databases	<ul style="list-style-type: none"> <li>• PowerQuery, Advanced Lookups, Aggregation Tools</li> </ul>
9	Tue, Mar 16	<b>VBA / Programming I</b> Intro to VBA / programming	<ul style="list-style-type: none"> <li>• VBA, macros, custom functions</li> </ul>
10	Tue, Mar 23	<b>VBA / Programming II</b> Working with custom functions	<ul style="list-style-type: none"> <li>• VBA, advanced loops</li> </ul>
-	Mon, Mar 29	<b>Assignment Two (Due Online by 11.00 AM Eastern Time)</b>	
11	Tue, Mar 30	<b>VBA / Programming III</b> Additional programming	<ul style="list-style-type: none"> <li>• User interfaces, additional VBA programming</li> </ul>

<b>Wk.</b>	<b>DATE</b>	<b>CONTENT</b>	<b>MODELING TOOL</b>
12	Tue, Apr 6	<b>Term Test 2</b> (Written Online in Class Hours)	
13	Apr 13	<i>Review + Project Work</i>	-
-	Fri, Apr 16	<b>Group Project</b> (Due Online by 11.59 PM Eastern Time)	