FIN 630: Financial Modeling & Analysis

Professor Russell Jame
BE Room 260
Section 1: Class Time: 8:30-11:00 (MW)
Section 2: Class Time: 1:30-4:00 (MW)
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Office hours: Tuesday & Thursday 3-4:30, or by appointment

Course Overview and Objectives

This course is designed to provide students with the skills necessary to apply modern financial theories to real world applications using advanced spreadsheet tools. This course is designed for serious students who love finance, math, statistics, and logical thinking in general.

Materials

1) Textbook (Recommended)

Simon Benninga's *Principles of Finance with Excel.* Second edition.

Description from www.amazon.com :

> Finance is a topic that requires much computation, and in today's business world that computation is done almost entirely using Excel software. Despite this, existing finance textbooks continue to rely heavily on hand calculators. Business school students—whose background in Excel software is often weak when they come into finance courses—find that when they leave the academic environment they have to relearn both finance and the software. Addressing this issue, *Principles of Finance with Excel* is the only introductory finance text that comprehensively integrates the program into the teaching and practice of finance. Offering exceptional resources for students and instructors, the book combines classroom-tested pedagogy with the powerful functions of Excel software. Author Simon Benninga—one of the most recognized names in financial modeling—shows students how spreadsheets provide new and deeper insights into financial decision making.

2) Power Point Slides and other Materials

Power point slides and additional materials (e.g., handouts, practice quizzes, etc.) will all be made available via Canvas. Power point slides act as a general guide to our in-class discussions. Handouts are assignments which will ultimately form part of your problem sets (see below).

Grading

Grading Component	*Weighting*	*Total Weighting*
Problem Sets (3X)	8%	24%
Tests (3X)	22%	66%
Class Participation	10%	10%
Total		100%

Grade	*Total points*
A	90-100
B	75-89.99
C	60-74.99
E	≤ 59.99

Problem Sets:
There are three Excel-based problem sets. The problem sets will consist of a subset of questions taken verbatim from the end of class handouts. I will devote a portion of class time to working on the handouts. Whatever is not completed during class time needs to be completed at home. These assignments may be completed with **one** other student, though you may ask your classmates and your professor for general guidance. Sharing files is a form of plagiarism and will be treated accordingly. Please see the University guidelines regarding Academic Integrity on pages 3 and 4. Problem Sets will account for 24% of your final grade (8% each).

Tests:
There are three tests. The first two tests will be administered during class time. The third test will be administered during finals week. The tests will generally be similar in structure to the problem sets. I will provide at least one sample test prior to the actual test to provide students a sense for the types of questions I will ask. *No* make-up test will be given except for documented excused University absences. The student should notify me before the test if it will be missed (if possible) and must provide a documented excuse (as defined in Student Rights and Responsibilities and on page 3 of this syllabus). Tests will account for 66% of your final grade (22% each).

Participation:
Following MSF Guidelines, a student will lose 2% of the total grade for each unexcused absence (up to 10%). Excused absences include a doctor's appointment, a job interview or other reasons with consent of the instructor. Students need to provide proof for excused absences such as a doctor's note, an interview invitation etc. Arriving late for more than five minutes and leaving early are treated as absence. At the beginning of each class, I will pass out a sheet with students' names on it for students to sign. Signing in for someone else for the purpose of attendance is treated as cheating.

Microsoft versus Mac Computers

Note that some excel functions are not available on Mac computers. In addition, shortcut keys are often different across the two operating systems. The classroom is equipped with Microsoft-based version of Excel. All material will be taught using the Microsoft-based version of excel and I will review/grade spreadsheets using the Microsoft-based versions. Students are free to work on problem sets using whatever operating system they like, but they should ensure that there are no compatibility issues before submitting

Course Guidelines

Professionalism:

Your college education should prepare you for the workforce. As such, I expect you to come to class on time, to be prepared and to participate. This class will be administered in a business-like manner. As such, *please refrain from the use of cell phones or computers for non-academic purposes.* Any violation of this policy will result in the removal of the student from the course.

Academic Integrity:

Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed.

Plagiarism and cheating are serious breaches of academic conduct. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the Code of Student Rights and Responsibilities. Complete information can be found at the following website: http://www.uky.edu/Ombud. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited.

Part II of Student Rights and Responsibilities (available online http://www.uky.edu/StudentAffairs/Code/part2.html) states that all academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about the question of plagiarism involving their own work, they are obliged to consult their instructors on the matter before submission.

When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording or anything else from another source without appropriate acknowledgement of the fact, the students are guilty of plagiarism. Plagiarism includes reproducing someone else's work, whether it be a published article, chapter of a book, a paper from

a friend or some file, or something similar to this. Plagiarism also includes the practice of employing or allowing another person to alter or revise the work which a student submits as his/her own, whoever that other person may be.

Students may discuss assignments among themselves or with an instructor or tutor, but when the actual work is done, it must be done by the student, and the student alone. When a student's assignment involves research in outside sources of information, the student must carefully acknowledge exactly what, where and how he/she employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content and phraseology intact is plagiaristic. However, nothing in these Rules shall apply to those ideas which are so generally and freely circulated as to be a part of the public domain (Section 6.3.1).

Please note: Any assignment you turn in may be submitted to an electronic database to check for plagiarism.

Very Tentative Schedule of Key Dates

Below is a *very tentative* schedule to follow. *Please note that all dates are subject to change* and are dependent upon the speed at which the material is covered in class as well as unforeseeable events. At the beginning of each Module, I will provide a more detailed schedule of the material to be covered.

Date	*Topic*
Module 1	
Wednesday, March 6th	First day of class
March 11th -March 16th	Spring Break
Tuesday, March 26th	Problem Set 1 Due[1]
Monday, April 1st	Test 1
Module 2	
Tuesday, April 9th	Problem Set 2 due
Monday, April 15th	Test 2
Module 2	
Wednesday, April 24th	Last Day of Class
Friday, April 26th	Problem Set 3 Due
April 29th – May 3rd	Final Exam (Finals Week)

Tentative List of Topics Covered:

- Review of Excel Basics and Graphing in Excel (Benninga: Ch. 24, 25, & 27)
- Time Value of Money (Benninga: Ch. 2)
- Monte Carlo Simulations
- What does it Cost? (Benninga: Ch. 3)
- Capital Budgeting (Benninga: Ch. 4 & 5)
- Discount Rates, Financial Planning Models, and Valuation (Benninga: Ch. 6& 7)
- Portfolio Statistics (Benninga: Ch.9)
- Efficient Frontier & the CAPM (Benninga Ch.10 & 11)
- Options (Benninga Ch.20)
- Pivot Tables & Excel Macros

[1] All problems sets should be submitted online by 11:59 pm on the day of the due date.