

**COURSE CODE:** BUAD 354

**COURSE TITLE:** Financial Modelling for Equity Analysis and Valuation

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### **Calendar Description**

This hands-on course builds proficiency in analyzing and interpreting published financial statements, and building comprehensive financial models to facilitate investment decisions. Through modelling a number of case companies and interpreting the results, the course presents a balance of theoretical foundations and practical applications.

**Prerequisite(s):** BUAD 128, BUAD 195, BUAD 296

**Co-requisite(s):** None

**Prerequisite For:** BUAD 461

**Substitutable Courses:** None

**Graduation Requirement:** Elective - BBA, Finance

**Transfer Credit:** N/A

**Special Notes:** Formerly Special Topics BUAD 361

**Credits:** 3

**Hours per Week:** 3

**Originally Developed:** 2018

**EDCO Approval:** May 6, 2021

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**CHAIR'S APPROVAL:** 

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## Learning Outcomes

- Outcome Upon completion of this course students will be able to:
- 1 **Analyze** published financial statements of a going concern for multiple objectives (equity and creditworthiness analysis).
  - 2 **Generate** financial forecasts.
  - 3 **Value** a variety of corporate entities using relative and intrinsic valuation approaches and techniques.
  - 4 **Build** fully integrated financial models with high quality standards and output clarity.
  - 5 **Perform** sensitivity analysis and stress-testing under different economic scenarios.

## Course Objectives

- Objectives This course will cover the following content:  
See weekly course schedule below

## Professors

Name	Phone Number	Office	Email
Elena Mitropolsky (Course Captain)	ext. 6390	C143	<a href="mailto:emitropolsky@okanagan.bc.ca">emitropolsky@okanagan.bc.ca</a>

## Evaluation Procedure

Exams (3)	90 %
Term Work	10 %
<b>Total</b>	<b>100 %</b>

### Generative AI tools are permitted with specific restrictions

- Students are permitted to use AI tools for formative work such as gathering information or brainstorming but may not use them for any assessed work or final submission. Whenever generative AI tools are used, they must be appropriately cited. (See [How to cite ChatGPT \(apa.org\)](#))
- Students can use AI tools to assist in proofreading, grammar checking, and language refinement for written assignments where the student has composed the first draft. Students should keep in mind that AI revisions are only suggestions and that they are ultimately responsible for the quality of their submissions. Students may be asked by their instructor how they interacted with AI tools and be prepared to explain and justify their process.

## Required Materials

Investment Banking: Valuation, Leveraged buyouts, and Mergers & Acquisitions, 2nd or 3<sup>rd</sup> edition (university edition), J. Rosenbaum & J. Pearl, Wiley.

A free e-book is also available through the Library Link: <https://ebookcentral.proquest.com/lib/okanagan-ebooks/detail.action?docID=1211892>.

Valuation, 7th edition, Measuring and Managing the Value of Companies, Koller, Goedhart, Wessels, McKinsey and Company, Wiley

A free e-book is also available through the Library.

Link: <https://ebookcentral.proquest.com/lib/okanagan-ebooks/detail.action?docID=620778>

Other required materials will be posted on Moodle.

## Notes

Working knowledge of Excel is required.

### Course Format:

The class will be Excel-based, and students will be building models in class by moving along with the instructor, through interactive lectures and hands-on modelling exercises.

The course consists of 3 distinct modules: 1. Financial Statement Analysis; 2. Forecasting, and 3. Valuation. The course includes in-class discussions, modelling exercises and computer-based exams. We will be building a financial model from scratch for the duration of the course utilizing all three modules.

## Course Schedule

(Subject to change at the discretion of the professor)

Date		Topic
2024 Week of:		Wednesday, September 4th, First day of class Friday, September 13th, Last day to register for Fall 2024 Monday, September 30th, Statutory Holiday (no classes) Monday, October 14th, Statutory Holiday (no classes) Friday, October 25th, Last day to withdraw from class without academic penalty Monday, November 11th, Statutory Holiday (no classes) Friday, December 6th, Last day of class Tuesday, December 10th – Friday, December 20th, Final Exam Period
Sep	9	Introduction Key modelling structures Best practices of financial modelling Review of basic accounting and finance concepts The structure and content of published financial statements and reports
	16	Financial Statements Analysis: Income Statement Different measures of earnings: EBITDA/EBIT/Net Income/EPS Operating, recurring and non-recurring items Clean net income Start building a model from scratch: Under Armor
	23	Financial Statements Analysis: Balance Sheet Working capital and net/operating working capital Account analysis using BASE Fixed assets, capital expenditure and depreciation Leases under IFRS and US GAAP
	30	Net debt analysis Common equity analysis Cash flow statement Key links between financial statements Main financial ratios
Oct	7	<b>Exam 1</b>
	14	Forecasting: how to generate assumptions Phase 1 – Income statement construction
	21	Phase 2: Balance sheet construction Phase 3: Construction of Cash Flow statement
	28	Bringing all 3 statements together Modelling cash and revolving debt Balancing the Balance Sheet Dealing with circularity and iterations
Nov	4	Finish building a financial model from scratch Scenario analysis for the target company
	11	<b>Exam 2</b>
	18	Introduction to valuation: discounted cash flow (DCF) and relative valuation (multiples) Enterprise value versus equity value, building the bridge Performing relative valuation of the target company
	25	Free cash flows (FCF) in DCF valuation of the target company Modelling FCF from the integrated forecast Modelling weighted average cost of capital (WACC) and Terminal Value Building and using data tables
Dec	2	Review Working with integrated model

## Skills Across the Business Curriculum

The Okanagan School of Business promotes core skills across the curriculum. These skills include reading, written and oral communications, computers, small business, and academic standards of ethics, honesty and integrity.

## Student Conduct and Academic Honesty

### What is the Disruption of Instructional Activities?

At Okanagan College (OC), disruption of instructional activities includes student “conduct which interferes with examinations, lectures, seminars, tutorials, group meetings, other related activities, and with students using the study facilities of OC”, as well as conduct that leads to property damage, assault, discrimination, harassment and fraud. Penalties for disruption of instructional activities include a range of sanctions from a warning and/or a failing grade on an assignment, examination or course to suspension from OC.

### What is Cheating?

“Cheating includes but is not limited to dishonest or attempted dishonest conduct during tests or examinations in which the use is made of books, notes, diagrams or other aids excluding those authorized by the examiner. It includes communicating with others for the purpose of obtaining information, copying from the work of others and purposely exposing or conveying information to other students who are taking the test or examination.”

Students must submit independently written work. Students may not write joint or collaborative assignments with other students unless the instructor approves it in advance as a group/team project. Students who share their work with other students are equally involved in cheating.

### What is Plagiarism?

Plagiarism is defined as “the presentation of another person’s work or ideas without proper or complete acknowledgement.” It is the serious academic offence of reproducing someone else’s work, including words, ideas and media, without permission for course credit towards a certificate, diploma, degree and/or professional designation. The defining characteristic is that the work is not yours.

“Intentional plagiarism is the deliberate presentation of another’s work or ideas as one’s own.” Intentional plagiarism can be a copy of material from a journal article, a book chapter, data from the Internet, another student, work submitted for credit in another course or from other sources.

“Unintentional plagiarism is the inadvertent presentation of another’s work or ideas without proper acknowledgement because of poor or inadequate practices. Unintentional plagiarism is a failure of scholarship; intentional plagiarism is an act of deceit.”

### What are the Students’ Responsibilities to Avoid Plagiarism?

Students have a responsibility to read the OC Plagiarism Policy and Procedures outlined in the OC calendar, which is available in online format [www.okanagan.bc.ca](http://www.okanagan.bc.ca). Students must acknowledge the sources of information used on all their assignments. This usually involves putting the authors’ name and the year of publication in parentheses after the sentence in which you used the material, then at the end of your paper, writing out the complete references in a Reference section.

“Students are responsible for learning and applying the proper scholarly practices for acknowledging the work and ideas of others. Students who are unsure of what constitutes plagiarism should refer to the UBC publication “*Plagiarism Avoided; Taking Responsibility for your Work*”. This guide is available in OC bookstores and libraries.

Students are expected to understand research and writing techniques and documentation styles. The Okanagan School of Business requires the use of the APA or MLA style, but suggests that students cite references using the APA guidelines (see Publication Manual of the American Psychological Association, 6<sup>th</sup> edition (2009)). A copy of the APA manual is available in the reference section and also available for circulation from OC libraries. The library website has access to these two major citing styles.

### What are the Penalties for Plagiarism and Cheating?

The Okanagan School of Business does not tolerate plagiarism or cheating. All professors actively check for plagiarism and cheating and the Okanagan School of Business subscribes to an electronic plagiarism detection service. All incidents of plagiarism or cheating are reported and result in a formal letter of reprimand outlining the nature of the infraction, the evidence and the penalty. The Dean of the Okanagan School of Business and the Registrar record and monitor all instances of plagiarism and cheating. Penalties for plagiarism and cheating reflect the seriousness and circumstances of the offence and the range of penalties includes suspension from OC.