FNCE 3415 - Valuation & Financial Modeling
Section 01
8:00am - 9:30am M W in Hilton 107
College of Business Administration
Loyola Marymount University- Fall 2019

Dr. David Moore
Course Website: http://www.davidrmoore.com/FNCE3415/home.html
Brightspace Page: https://brightspace.lmu.edu/d2l/home/91310
Office Hours: MW 1:00-4:00pm TT 10:00am-12:00pm or *by appointment*
Office Hours Location: Hilton 248
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Required Materials

1. Wall Street Prep (WSP): You will have lifetime access to all the videos provided by this training company (which is used by many finance-focused firms) as part of their "Student Passport" package. Access costs $100, and can be purchased at the following link: https://gv142.infusionsoft.com/app/manageCart/addProduct?productId=3679
2. Harvard Business Publishing cases and notes (HBS). There is a case packet that has been compiled specifically for this class (cost is around $25) available at: https://hbsp.harvard.edu/import/651161

Course Prerequisites

To enroll in this class, you must have taken FNCE 3400 or FNCE 3410 (with a minimum grade of C).

Course Description

This course will cover the theory and practice of financial statement analysis and valuation. Students will learn how to use theory and data to solve challenging business problems with incomplete information. Students will become comfortable with using financial modeling as a tool to help them perform financial analysis and make decisions.

Learning Outcomes

This course contributes to student achievement of the following CBA core learning outcomes:

- Students will demonstrate understanding of the core concepts in finance.
- Students will accurately utilize quantitative techniques to model and evaluate business decisions.
- Students will demonstrate critical thinking skills by defining, modeling, analyzing and evaluating complex business problems.

Upon completion of this course, students should successfully demonstrate the following finance course learning outcomes:

- Know how to read and extract information from required regulatory filings (such as 10-Ks, 8-Ks, or 10-Qs).
- Perform vertical and horizontal analysis of financial statements.

- Calculate financial ratios - understand what they mean and how to use them.
- Analyze firm performance by examining trends and comparing with competitors (or peers).
- Perform company valuation using the multiples (aka, comparables) approach.
- Perform company valuation using the discounted cash flow approach.
- Understand the strengths and weaknesses of each methodology and know which method to use in different situations.
- Perform sensitivity analyses.

Technology Requirements

We will use Microsoft Excel daily in this class. Laptops are provided in class for student use. Students will need access to Excel outside of class to practice, study, complete assignments, and succeed in the course. Excel (as well as other Microsoft Office products) is free to LMU students using an LMU email address via www.office.com/getoffice365. It is recommended that you use the PC version of Excel, not the Mac version (if possible), since some of the functionality differs between the two versions. There are also over 950 computers on campus, see https://its.lmu.edu/whatwedo/classroomsupport/labslearningspaces/ for more information on locations and hours.

Email and Website

Email is an official mean of communication for the University. My email address, david.moore@lmu.edu, is the best way to get in touch with me. E-mails received before 3:00 p.m. on a weekday generally will get a response on that day. E-mails received after 3:00 p.m. generally will receive a response by the following day. E-mails received after 3:00 p.m. Friday generally will receive response by noon on the following Monday. You are responsible for all class e-mails.

Be sure to have your preferred email address updated in Brightspace, and check your email and Brightspace regularly. I will post syllabus, course information, and announcements on Brightspace. Grades will be posted to Brightspace. Please check your Brightspace notifcation settings to make sure you get updates on announcement, content, grades, etc. Course material can also be found on my website, www.davidrmoore.com.

Introduction and Midterm Meeting

You are required to attend a 10-15 minute meeting with me at the beginning of the semester. This will help me get know you, your goals in both this class and your career, and give you the opportunity to ask any questions you may have about the course. We will also have a meeting around midterm to evaluate your progress, identify strengths and weaknesses, and discuss how we can reach our goals the rest of the semester. I will send out a sign-up sheet and meetings will take place in my office. You are required to submit a curriculum vitae (CV) and a one-page profile for the introductory meeting.

Quizzes

Studies have shown that students who take frequent quizzes instead of infrequent exams see improvements in learning and retention and as a result have higher grades (see these links for more info: here, here, and here. There will be a total of **10** quizzes. All quizzes will be announced ahead of time, in class, and through email. You may take a make-up only for excused absences, please see Attendance Policy below. I will replace your lowest score with your highest score *IF* you attend 90% or more of scheduled classes. Please note quizzes can

contain questions related to information from any material covered up to that point in the class. Quizzes will be closed notes/book and can contain both conceptual (multiple choice or short answer) and direct application (solutions to be completed in Excel).

Problem Sets

There will be a total of **2** problem sets. ALL problem sets will count towards your final grade. You must turn in your own work but may ask classmates or professor for general guidance. DO NOT directly copy a classmate's work, please see Academic Integrity section for details on what constitutes cheating and the associated consequences.

Final Project

You will work in teams of two or three (three is preferred) on the group project. Each team will choose a company (subject to my approval) to conduct financial and valuation analyses on. Three important components of this project are (1) monitoring current events about the subject firm, ex., earnings announcement, litigation, new products, executive turnover, M&A activity etc.; and (2) becoming familiar with reading a firm's required regulatory filings (such as 10-Ks, 8-Ks, or 10-Qs), understanding management disclosures, and extracting information to use in your financial models (3) using this information and the skills/tools learned throughout the course to create a professional valuation report. I recommend setting up a Google alert for your company to monitor current events. Even though it is called a final project you will be completing project milestones throughout the course. Project details, including milestone due dates, are detailed on the Final Project Handout. There will be a group presentation during the last week of class.

Final Exam

This is an upper-level finance course and therefore there will be a **comprehensive** final exam on Monday, December 9, 2019 at 8am.

Grading Policy

Your grade will be calculated using the following breakdown:

Quizzes	40%
Problem Sets	10%
Final Project	25%
Final Exam	25%

We will follow a standard grading scale:

Letter Grade	% Grade	Letter Grade	% Grade
A	>93%	C+	77.00-79.99%
A-	90.00-92.99%	C	73.00-76.99%
B+	87.00-89.99%	C-	70.00-72.99%
B	83.00-86.99%	D	60.00-69.99%
B-	80.00-82.99%	F	<60%

Your assigned grade is your earned grade. There will be absolutely no rounding up to the next letter grade if you are "close". Please do not email at the end of the semester asking to be "bumped up a letter grade" or for any "extra credit opportunity". Extra credit will **never** be given on an individual basis. It is my (optimistic) goal to return graded assignments before the beginning of the next class period. Remember grades are earned not given.

Dispute Policy: If you have an issue with your assigned grade on any assignment/quiz/exam, you may file a dispute. All requests must be made in writing within 24 hours of receiving the graded assignment.

Tips to Perform Well

1. Attend the first day of class on Monday, August 26, 2019, and pay careful attention. A few students lose points later in the semester that they would not have lost had they understood everything from the first class.
2. Carefully read and understand the syllabus in the first week of the class. This is a good practice for all your courses.
3. The goal of frequent quizzes vs exams is to promote retention and learning. That being said it is important to prepare for class each day (quiz or not).
4. Students often learn by doing. So practice outside of class by engaging with the material and with other students. This is especially important for this class.
5. The most important thing you can do in this class (and most classes) is to attend class everyday **AND** actively participate.
6. Utilize resources. I will try to offer alternative learning resources outside of class. Please use these resources. Office hours are a great resource if you are struggling with the material. Please come see me *early* when you have an issue. If you can't make it to office hours, please make an appointment. We have a course quizlet that I will update throughout the semester: https://quizlet.com/join/2CxbAVn8t, though this class is more application based.
7. If Excel is not behaving the way that you expect, it is much better to assume that it is something that you are doing wrong rather than something Excel is not doing wrong. While software can occasionally misbehave, usually it is student error that causes most problems. Computers tend to be very picky about having exactly the right steps done in exactly the right order. Deviating from the correct path just a little is frequently more than current computers can take and leads to errors or problems. It is very, very important that you learn to pay careful attention to every detail. If you assume that it is a computer error, you stop trying to find the solution. If you assume that it is your error, you continue to search for the right solution.
8. When working with Excel, save your work regularly. If the software hangs or has problems you will have a saved file to go back to. Saving regularly is particularly important during exams. This is a good practice to get into whenever you use a computer. Technical issues will be dealt with on a case-by-case basis but there is no guarantee extra-time will be given.
9. Efficiency (as well as proficiency) is key to financial modeling, therefore; all in class examination will be timed. It is important to become efficient in completing the task.
10. Do not wait until the last minute to submit your exam. The software is timed so that it stops accepting exams when the exam time is over. When the time is over for the exam, immediately complete the submission process. You will be given 2 minutes to submit the exam, after which the software will stop accepting submissions. Any student that does not successfully submit exam will receive a score of 0 on that exam.

Attendance Policy

The following are acceptable reasons for excused absences: (a) serious illness of the student or serious illness of a member of the student's household or immediate family, (b) illness or death of immediate family member (For the purpose of this rule, immediate family is defined as spouse or child or parent or sibling; and grandchild or grandparent), (c) University-related trips, (d) major religious holidays, and (e) interviews for full-time job opportunities post-graduation and for graduate or professional school.

Students are required to notify the professor of absences and provide appropriate documentation two weeks prior to absences for absences that can be anticipated (e.g., for University-related trips, major religious holidays and interviews) to be eligible for a makeup.

I have the right to request appropriate verification when students claim an excused absence (e.g., an obituary that explicitly mentions your name as a relative or other additional supporting documentation that clearly identifies you as a relative). You must provide documentation as soon as possible and no later than one week after the missed quiz/class. Makeup quizzes/assignments are not offered when the documentation is late or missing.

I will not give make-up quizzes for reasons not listed above. This policy also applies to the final exam.

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 in the "Academic Honesty Policy". 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.

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 acknowledgment 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.

When a student's work 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.

Expectations for Classroom Behavior

- LMU's Community Standards, which defines as prohibited conduct (IV.D): "Disruptive Behavior, and/or intentionally or recklessly interfering with normal University life, activities, processes or University-sponsored activities including, but not limited to: studying; teaching; research; classroom instruction; campus or residential life; University administration; judicial proceedings; or fire, police or emergency services." More info can be found here.
- The Lion's Code (see LMU's Community Standards)
- Guidelines on LMU Student Classroom and Course-Related Behavior
- The LMU Student Affairs brochure Disruptive and Threatening Student Behavior (Fall 2010), which states "Disruptive behavior which is persistent or significantly interferes with classroom activities may be subject to disciplinary action. A student may be referred to the Office of Student Judicial Affairs if their behavior constitutes a violation of the conduct code." More info can be found here.

RESPECT FOR SELF AND OTHERS: As an LMU Lion, by the Lion's Code, you are pledged to join the discourse of the academy with honesty of voice and integrity of scholarship and to show respect for staff, professors, and other students.

ELECTRONIC DEVICES: Please turn off and put out of sight all electronic devices during class-time. (unless prompted to use) The interruptions and/or distractions they cause disrupt class and interfere with the learning process.

Policy on Academic Accommodations Due to Disability

Students with special needs who require reasonable modifications, special assistance, or accommodations in this course should promptly direct their request to the Disability Support Services (DSS) Office. Any student who currently has a documented disability (ADHD, Autism Spectrum Disorder, Learning, Physical, or Psychiatric) needing academic accommodations should contact the DSS Office (Daum Hall 2nd floor, 310-338-4216) as early in the semester as possible. All discussions will remain confidential. Please visit DSS for additional information.

Reporting Requirements of Sexual or Interpersonal Misconduct

As "responsible employees," faculty are required to report any case of suspected sexual or interpersonal misconduct and cannot protect student confidentiality. For information about confidential counseling on campus and for general information about consensual relationships, sexual harassment, and sexual assault, please see the LMU Cares website

Emergency Preparedness

To report an emergency or suspicious activity, contact the LMU Department of Public Safety by phone (x222 or 310-338-2893) or at the nearest emergency call box. In the event of an evacuation, follow the evacuation signage throughout the building to the designated safe refuge area where you will receive further instruction from Public Safety or a Building Captain. For more safety information and preparedness tips, visit `http://www.lmu.edu/emergency`.

Tentative Course Outline*

Syllabus and Introduction to Valuation
Financial Statements and Reporting
Quiz 1

Basic Excel Modeling
Quiz 2

Financial Statement Analysis and Ratios
Case: California Choppers
Quiz 3

Financial Statement Modeling
Quiz 4

Discounted Cash Flow (DCF) Valuation: Part 1
Quiz 5

DCF Valuation: Part 2
Case: Teuer Furniture Part 1
Quiz 6

Multiples Valuation Part 1
Quiz 7

Multiples Valuation Part 2
Case: Teuer Furniture Part 2
Quiz 8

Advanced Excel Skills
Quiz 9

Data Visualization and Model Selection
Quiz 10

Final Exam: Monday, December 9, 2019 at 8am

Important Dates

First Day of Class: Monday, August 26, 2019
Labor Day: Monday, September 2, 2019
Thanksgiving: Wednesday, November 27, 2019
Last Day of Class: Wednesday, December 4, 2019

***This outline is tentative and I reserve the right to make changes to the course and schedule as needed and will provide ample notice to any changes made.**