

Final Exam Study Guide

This is a general guideline and should be viewed as such. Anything covered in class can be tested.

1. Financial Statements Review
 - (a) Need to know the principles, assumptions, and constraints.
 - (b) What are financial reporting requirements.
 - (c) Three Financial Statements
 - i. What are they.
 - ii. How to construct them.
 - iii. What the item/account means.
 - iv. How a single transaction impacts each statement.
 - (d) Issues with Financial Statements
2. Basic Excel Modeling
 - (a) Know your standard formatting! (colors, decimals, number formatting)
 - (b) Other skills will be tested within other material:
 - i. TVM functions
 - ii. Proper reference usage
 - iii. Statistical functions
 - iv. Lookup functions
 - v. Logical functions
3. Financial Statement Analysis
 - (a) Common-size. Why do we do it? Perform and analyze.
 - (b) Ratio Analysis
 - i. Calculate from financial statements (Given ratio sheet)
 - ii. Analyze ratios (Know groupings)
 - iii. Dupont Identity
 - iv. Benchmarking
 - v. Common issues with Ratios
4. Financial Statement Modeling
 - (a) Unlevered Cash Flows (What does it mean and be able to calculate)
 - (b) Forecasting
 - i. Be able to pull in historical data, calculate historical ratios and use to forecast
 - ii. Understand how we estimate forecasted values? What factors are important in determining your forecast?
5. Discounted Cash Flow Valuation (Part 1 and 2)
 - (a) Terminal Value
 - i. What is it conceptually and be able to calculate. (Perpetuity growth and Exit multiple)
 - (b) Cost of Capital (WACC)
 - i. What is it? How do we estimate it?

- ii. Be able to estimate the individual parts (Cost of Equity, Cost of Debt, and Capital structure weights, will be given tax rate)
 - iii. Make sure you understand, are able to execute, ALL methods.
 - iv. What is the intuition behind CAPM?
 - A. Default spreads, current yields, Bottom-up beta, regression beta.
 - B. What we use as estimate of risk free rate, expected return on the market, capital structure weights.
 - (c) What is an Enterprise Value? How do we get to an Equity Value?
 - (d) Equity Compensation and Shares Outstanding
 - i. Be able to use all three methods (Treasury, with a twist, and option drag)
 - ii. Account for Restricted stock
 - iii. Why might we prefer ALL options to just exercisable options?
 - (e) Cross-holding: What are they and how do we incorporate into valuation?
 - (f) Mid-year discounting, Estimating MV of Debt, Levered Free cash flows
 - (g) Sensitivity Analysis (Perform using data tables or scenario manager, interpret results)
 - (h) What makes a good valuation?
6. Relative Valuation: Multiples
- (a) What is it and how do we do it?
 - (b) Perform and explain steps to completing a relative valuation.
 - (c) Understand each multiple and its value drivers
 - i. EV/EBIT, EV/Revenue, EV/EBITDA, P/E, PEG, Price to Book
 - (d) Why are value drivers important?
 - (e) Why is consistency between numerator and denominator important
 - (f) Perform LTM calculations
 - (g) Perform/Understand basic Transaction Comparables
 - (h) Calculate Excess cash
 - (i) Excel skills: Using INDIRECT to pull data in.
7. Advanced Excel
- (a) Know how to use: Pivot tables, Sort and filter, conditional formatting, concatenate and INDIRECT, Charts, TEXT functions, and Goal seek.
8. Model Selection and Football Field Chart
- (a) Intrinsic vs Relative Valuation
 - i. Define the methods, explain the market assumption, pros and cons, when to use each method
 - ii. They are complements
 - (b) Create and interpret a dynamic Football Field Chart
 - (c) Make an investment recommendation

*****Template will be provided for valuation problems.*****