Financial Modelling with Introduction to Valuation

Week-wise Curriculum Overview

Week 1 – Introduction to Financial Modelling & Excel Fundamentals

- What is Financial Modelling? Why is it important?
- Types of Financial Models (Operating, Valuation, M&A, LBO, etc.)
- Best practices in financial modelling (structure, transparency, error checking).
- Excel Review: Absolute vs. Relative References, Named Ranges, Basic Functions (SUM, AVERAGE, IF), Paste Special.
- Hands-on: Setting up a basic income statement shell.

Week 2 – Income Statement Modelling

- Components of the Income Statement (Revenue, COGS, OpEx,
Depreciation, Interest, Tax, Net Income).
- Revenue Drivers: Sales volume, Pricing, Growth rates.
- Cost Drivers: Variable vs. Fixed Costs, COGS as % of revenue.
- Modelling Depreciation & Amortization (Straight-line, WDV – conceptual).
- Hands-on: Building a 5-year projected Income Statement.

Week 3 – Balance Sheet Modelling

- Components of the Balance Sheet (Assets, Liabilities, & Equity).
- Linking Income Statement to Balance Sheet (Retained Earnings).
- Working Capital: Accounts Receivable, Inventory, Accounts Payable (Days outstanding, Inventory turns).
- Fixed Assets & Capital Expenditures.
- Debt & Equity components.
- Hands-on: Building a 5-year projected Balance Sheet, ensuring it balances.

Week 4 – Cash Flow Statement Modelling & Integration

- Purpose of the Cash Flow Statement (Operating, Investing,& Financing Activities).
- Direct vs. Indirect Method (focus on Indirect).
- Reconciling Net Income to Cash Flow from Operations.
- Integrating all three financial statements into a cohesive model.
- Circularities in financial models (debt, interest).
- Hands-on: Building a 5-year projected Cash Flow Statement and linking it to IS & BS.

Week 5 – Debt & Interest Modelling

- Types of Debt (Term Loans, Revolvers).
- Modelling Debt Schedules (Principal Repayment, Interest Expense).
- Covenants and their impact.
- Handling circularity related to interest and debt.
- Hands-on: Adding a debt schedule to the integrated model.

Week 6 – Working Capital & Schedules

- Detailed Working Capital Modelling (Days Sales Outstanding, Days Inventory, & Days Payables Outstanding).
- Property, Plant & Equipment (PP&E) Schedule and Depreciation roll forward.
- Tax Modelling (Effective Tax Rate, Deferred Taxes – introductory).
- Hands-on: Refining working capital and PP&E schedules in the model.

Week 7 – Scenario Analysis & Sensitivity Analysis

- Introduction to Scenario Manager (Excel).
- Building different cases (Base, Best, Worst).
- Data Tables (one-way, two-way) for sensitivity analysis.
- Importance of scenario planning in decision-making.
- Hands-on: Implementing scenario analysis and data tables in the financial model.

Week 8 – Dashboarding & Presentation of Financial Models

- Designing user-friendly dashboards.
- Key performance indicators (KPIs) and their visualization.
- Chart types for financial data.
- Best practices for presenting model outputs.
- Hands-on: Creating a summary dashboard for the financial model.

Week 9 – Introduction to Valuation Concepts & Methodologies

- Why value a business? (M&A, IPO, Funding, Strategic Planning).
  - Discounted Cash Flow (DCF) – Primary Focus
  - Precedent Transactions (Transaction Comps)
  - Comparable Company Analysis (Trading Comps)
  - Asset-Based Valuation (brief mention)
- Understanding the time value of money.
- Conceptual: Discussion on the pros and cons of each method.