



Course Syllabus
Fall 2024
Sarah Khalaf
FIN 340 – Financial Models

Lecture Time and Location

Section 01: S/T/Th at 12:00 PM to 12:50 PM. Floor 2 Area C Room 1022 / Floor 1 Area B Room 1031
Financial Trading Center

Contact Information

Location : Department of Finance & Financial Institutions – Area B – 4th Floor
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Office : 4th Floor B - 1035
Office Hours : S/T 1:00 PM – 1:50 PM or by appointment

Course Description

The course is devoted to teaching the students the different equity valuation methods & techniques that measure the value of a company, given its current assets and position in the market. The course will primarily focus on the discounted dividend model, free cash flows model and value-based models.

Course Learning Objectives

Upon successful completion of the course, students will be able to:

- CLO1. Understand the different types of valuation models and the assumptions behind them.
- CLO2. Use Microsoft Excel to create models to value assets.
- CLO3. Use Microsoft Excel financial functions to solve financial problems.
- CLO4. Use Microsoft Excel What-if Analysis functions (Data Table, Solver, Goal Seek) to solve financial problems.
- CLO5. Use capital budgeting methods (i.e., NPV, IRR, MIRR, PBP, etc.) to solve financial problems.
- CLO6. Use time value of money concepts to value the price of common equity and bonds.
- CLO7. Construct an efficient frontier using excel.



CLO Mapping to CBA Skill Based Competency Goals¹

CLO	Competency Goal			
	Analytical	Communica tion	Information Technology	Business Ethics
1	R			
2			I	
3			I	
4			I	
5	R			
6	R			
7	R			

Type of Emphases:

- **(I)ntroduce:** Students will be introduced to the skill and their grasp of it assessed in the course.
- **(A)pply:** The course will not cover the skill. Students should have a high-level grasp of the skill and are required to apply it in the course.
- **(R)einforce:** Students should have an introductory-level grasp of the skill and the course will improve their mastery to a higher level.

Prerequisites

FIN 220 Principles of Financial Management

Required Material:

Textbook : Benninga, S. (2014). Financial modeling (4th ed.). The MIT Press.

Additional Material : Slides and Practice Problems

E-Learning System: Moodle and Microsoft Teams

Course Requirements and Policies

Participation: Participation, along with attendance, counts for 10% of your final grade. Coming prepared to class and solving on the computer or your laptop will enable you to effectively contribute to the discussions. Some of our classes will be held in the trading room and you are expected to follow the examples solved. You will be asked to upload your lab work at the end of each class. You will receive zero participation points if you do not upload your work. See attendance instructions below.

Midterm: There will be **one** in-class examinations that is 50 minutes. The midterm will count towards 30% of your final grade. Use the in-class examples for each chapter, in addition to the

¹ CBA Competency Goals can be found at the end of this document



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assignments, as a way to prepare for the examinations. They are computer based. Midterm instructions will be discussed prior to the exam. Failure to adhere to the instructions may result in loss of points.

Assignments: There will be **four** in-class assignments to be completed in the lab. These assignments will count towards 20% of your grade (5% each). The assignments will be done using excel and must be finished in the lab and uploaded onto Moodle. There will be no assignment handed in after class is over.

Each assignment will cover the previous chapters, and their accompanying excel exercises. You may use your notes. You can ask questions while solving the assignments. Students can speak to each other about the assignment; however, each student must hand in their own excel sheet.

Class Preparation – Readings: Each lecture will have a chapter reading that is encouraged before the lecture itself. In this way, you will see the material twice and it will help deepen your grasp of the topics.

Attendance: Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Student Guide, Chapter 3, Section 13). A copy of the student guide can be accessed online on: http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

This course has a significant seminar component and class participation is critical to the learning experience. Participation will be assessed in each class period. Your class participation and attendance will both contribute to your score of in-class performance.

You may miss 3 classes without impacting your attendance and participation grade. Every class missed after that will negatively impact your grade. I do not distinguish between excused and unexcused absences. If you miss 10 or more classes, you will receive a zero for your attendance and participation grade. I will take attendance 10 minutes after class starts. If you arrive late to class, you will be marked absent.

Cheating and Plagiarism: Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the guide is online on: http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted.

Writing Style: Students must refer to APA writing style for their assignments and report writing. Refer to the English Language Center for help.



Grading: The scores in this course will be the weighted average of the following items:

Weight	Description
10%	Attendance and Participation
20%	Assignments (x4)
30%	Midterm
40%	Final Exam
100%	TOTAL

Grade Distribution:

Grade	Range
A	≥ 95
A-	≥ 90 and < 95
B+	≥ 87 and < 90
B	≥ 83 and < 87
B-	≥ 80 and < 83
C+	≥ 77 and < 80
C	≥ 73 and < 77
C-	≥ 70 and < 73
D+	≥ 65 and < 70
D	≥ 60 and < 65
F	< 60

Course Outline:

Title	Topics
Excel Functions	Using Array functions and formulas • Some Excel hints • User defined-functions with VBA • Macros and user interaction • Object and Ad-Ins
WACC	Calculating stock and market returns • Calculating standard deviations and correlations • Estimating beta using regressions • Unlevering and levering beta
Basic Financial Calculations	Present value and NPV • IRR • Payment schedules • Discounting using dates cashflows
Financial Statement Modeling	How financial models work? • Free cash flows: measuring the cash produced by the business • Using FCF to value the Firm and its equity • Sensitivity analysis • Incorporating a target D/E ratio in a Pro Forma
Capital Budgeting	Decision Rules of capital budgeting • Using excel to estimate project cash flows • Using decision rules in excel to evaluate projects • Sensitivity analysis
Portfolio Models	Calculating portfolio means and variances • Efficient portfolios • Calculating the efficient frontier • Finding efficient portfolios • Finding the market portfolio using CML • Testing the SML
Calculating the Variance-Covariance Matrix	Computing the sample variance-covariance matrix • Computing the Global minimum variance portfolio • Computing an efficient portfolio • The Single-Index model
The Construction of Efficient Portfolios	Estimating Beta • Testing the CAPM • VBA program to create the efficient frontier • The Black-Litterman approach to portfolio optimization



Course Schedule (tentative and subject to change)

Day	Month	Lecture	Slides	Chapter
17	Sep	Introduction and Syllabus		
19	Sep	WACC	1	3
22	Sep	WACC	1	3
24	Sep	Lab		
26	Sep	Lab		
29	Sep	Basic Financial Analysis	2	1
1	Oct	Basic Financial Analysis	2	1
3	Oct	In-class Assignment #1		
6	Oct	Financial Statement Analysis	3	4 and 5
8	Oct	Financial Statement Analysis	3	4 and 5
10	Oct	Financial Statement Analysis	3	4 and 5
13	Oct	Financial Statement Analysis	3	4 and 5
15	Oct	Financial Statement Analysis	3	4 and 5
17	Oct	Financial Statement Analysis	3	4 and 5
20	Oct	Lab		
22	Oct	Lab		
24	Oct	Lab		
27	Oct	<i>Midterm Review</i>		
29	Oct	MIDTERM		
31	Nov	Capital Budgeting	4	1 and 4
3	Nov	Capital Budgeting	4	1 and 4
5	Nov	Capital Budgeting	4	1 and 4
7	Nov	Lab		
10	Nov	Lab		
12	Nov	Lab		
14	Nov	In-class Assignment #2		
17	Nov	DCF Valuation Models	5	5
19	Nov	DCF Valuation Models	5	5
21	Nov	DCF Valuation Models	5	5
24	Nov	Lab		
26	Nov	Lab		
28	Nov	Lab		
1	Dec	In-class Assignment #3		
3	Dec	Bond Valuation	6	8
5	Dec	Lab		
8	Dec	Lab		
10	Dec	Portfolio Models	7	10
12	Dec	Portfolio Models	7	10
15	Dec	Lab		
17	Dec	Lab		
19	Dec	Lab		
22	Dec	In-class Assignment #4		
24	Dec	<i>Final Exam Review</i>		
29	Dec	FINAL EXAM 8:00 AM - 10:00 AM		



CBA Competency Goals

1. **Analytical Competency:** A CBA graduate will be able to use analytical skills to solve business problems and make a well-supported business decision.

Student Learning Objectives:

- 1.1. Use appropriate analytical techniques to solve a given business problem.
- 1.2. Critically evaluate multiple solutions to a business problem.
- 1.3. Make well-supported business decisions.

2. **Communication Competency:** A CBA graduate will be able to communicate effectively in a wide variety of business settings.

Student Learning Objectives:

- 2.1. Deliver clear, concise, and audience-centered presentations.
- 2.2. Write clear, concise, and audience-centered business documents.

3. **Information Technology Competency:** A CBA graduate will be able to utilize Information Technology for the completion of business tasks.

Student Learning Objectives:

- 3.1. Use data-processing tools to analyze or solve business problems.

4. **Ethical Competency:** A CBA graduate will be able to recognize ethical issues present in business environment, analyze the tradeoffs between different ethical perspectives, and make a well-supported ethical decision.

Student Learning Objectives:

- 4.1. Identify the ethical dimensions of a business decision.
- 4.2. Recognize and analyze the tradeoffs created by application of competing ethical perspectives.
- 4.3. Formulate and defend a well-supported recommendation for the resolution of an ethical issue.

5. **General Business Knowledge:** A CBA graduate will be able to demonstrate a basic understanding of the main business disciplines' concepts and theories.

Student Learning Objectives:

- 5.1. Acquire a fundamental understanding of knowledge from the main business disciplines (e.g. finance, accounting, marketing, and management information systems, among others).