Business Modeling

Academic Year: (2020 / 2021) **Review date: 09-07-2020**

Department assigned to the subject:

Coordinating teacher: CAMINO BLASCO, DAVID

Type: Electives ECTS Credits : 2.0

Year : 1 Semester :

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

None

OBJECTIVES

This course provides a basic and practical understanding of how to prepare a financial plan (budgeted financial statements), which is the core part of a business plan. Financial planning is a continuous process of directing and allocating financial resources to meet strategic goals and objectives. The output from financial planning takes the form of Budgeted Financial Statements, such as:

- Budgeted Income Statement (Profit and Loss Budget)
- Net Working Capital Budget
- Long term Sources and Uses of Funds
- Cash-Flow Statement
- Budgeted Balance Sheet

After this course students should be able to complete the fore mentioned Budgeted Financial Statements but also to conduct a complementary analysis such the Ratio Analysis and Scenario Analysis by using the
financial planning outputs, to consider the combined effects of the firm¿s investment and financing decisions and to anticipate events that could upset the firm in order to design corrective measures.

DESCRIPTION OF CONTENTS: PROGRAMME

Class 1: Presentation and general overview of the course. Theoretical introduction to the financial planning process as a management tool for decision making. A short placement test is conducted in order to test the audience background (optional). The first Case study is also discussed, and it will be solved by using Excel spreadsheet in order to introduce the digitalization into the financial planning process as well as gaining flexibility for making financial decisions.
Date:
Time: 3 hours.
Readings: References, teacher¿s slides and Bookkeeping on-line tutorial to refresh accounting terms (if necessary).
Cases/Exercises: Case study I is introduced and it will be solved by using Excel spreadsheet (3 hours). The main aim of this first and basic case study is to focus on the estimation on Self-financing and Need of Net Working Capital (NNWC). By using the spreadsheet, students have to design two budgets:

- Budgeted Income Statement
- Net Working Capital Statement

Class 2: We will go on solving the case study I, focusing on the capital budget, which is the core part of the financial planning process. It provides us with the information about whether a certain project is feasible or not by looking at the cumulative surplus or deficit for the temporary window selected. Discussion is promoted about rejecting, revising or smoothing the final amount by introducing the Scenario Analysis. The Cash Flow statement is also completed as a useful tool for back-testing the financial planning process.
Date:
Time: 3 hours.
Readings: References, teacher¿s slides and Bookkeeping on-line tutorial to refresh accounting terms (if necessary).
Cases/Exercises: Our first Case Study is still used to fill in:

- ¿ Long Term Sources and Uses of Funds (Capital Budget), but also the
- ¿ Cash-Flow Statement
- ¿ Budgeted Balance Sheet
- ¿ Ratio Analysis and Scenario Analysis

Class 3: We will start solving the Case study II, which introduces more complexity.
Date:
Time: 3 hours.
Readings: References, teacher¿s Slides and Bookkeeping on-line tutorial to refresh accounting terms (if necessary).
Cases/Exercises: Our second Case Study introduces more complexity to the financial planning process. The capital strategy (about long term investments and financial resources), short term policies (about current assets and liabilities) and financial strategy (on pay-out policy, depreciation policy and growth policy) provides with a lot of items (disinvestments, capital increase, grace periods in the financial amortization schedules, etc.) to deal with along the financial planning process.
This case study should be solved in groups by two or three people and the final results should be presented in a report summary.

Class 4: We will go on solving the case study II, focusing on the capital budget, which is the core part of the financial planning process. It provides us with the information about whether a certain project is feasible or not by looking at the cumulative surplus or deficit for the temporary window selected. Discussion is promoted about rejecting, revising or smoothing the final amount by introducing the Scenario Analysis. The Cash Flow statement is also completed as a useful tool for back-testing the financial planning process.
Date:
Time: 3 hours.
Readings: References, teacher¿s Slides and Bookkeeping on-line tutorial to refresh accounting terms (if necessary).
Cases/Exercises: Our second Case Study will be finished.

Class 5: On the basis of case study II, complementary analysis is conducted based on the budgeted Balance sheet by applying ratio analysis and financial charts.
Date:
Time: 3 hours.
Readings: References, teacher¿s Slides and Bookkeeping on-line tutorial to refresh accounting terms (if necessary).
Cases/Exercises: Complementary analysis on Case Study II will be finished. Some financial charts will be drawn such as the cash flow distribution, capital budget profile, etc.

LEARNING ACTIVITIES AND METHODOLOGY

LEARNING ACTIVITIES

Placement test
Case study I and II
Mock exam (after case study I)
Activities proposed for autonomous work
Active participation and attendance
Final exam

TEACHING METHODOLOGIES

Exhibitions in the teacher's class with support of computer and audiovisual media, in which the main concepts of the subject are developed and the bibliography is provided to complement the students' learning.
Critical reading of texts recommended by the teacher: press articles, economic reports, textbooks and academic articles, either for further discussion in class, or to expand and consolidate the knowledge of the subject. Specifically, the topic of corporate sustainability, in general, and budgetary sustainability, in particular, will be addressed.
Solution of practical cases, problems, etc., proposed by the teacher.
Exhibition and discussion in class, under the teacher's moderation of topics related to the content of the subject, as well as case studies.
Preparation of papers and reports individually or in groups.

ASSESSMENT SYSTEM

TThe evaluation of the course will be continuous and inclusive, weighing the final exam only 60% on the total grade. The remaining 40% will be evaluated on the basis of activities proposed for autonomous work, mock exam, etc. The assistance and active participation in class will be also considered.
The final exam will consist of two weighed parts:

List of short- questions (30%): Individual
Case study solution run in spreadsheet (70%): Individual

% end-of-term-examination:	60
% of continuous assessment (assigments, laboratory, practicals…):	40

BASIC BIBLIOGRAPHY

- Brealey, R., S. C. Myers and Allen Principles of Corporate Finance, McGraw-Hill/Irwin, 2011
- Higgins, R. C Analysis for Financial Management, Irvin McGraw-Hill, 2008