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Fall 2019: Monday evening

Spring 2020 Tentative: M-W morning, M-W afternoon, W evening

## Overview

Various management disciplines teach you how to analyze and forecast parts of a business. Building on this foundation, this course will help you weave your forecasts into coherent spreadsheet-based pro-forma financials. Modeling and projecting comprehensive financial statements provides a reality check on the forecasts, enables "what if" analysis, provides an integrated view of the business, and is a key step in valuation.

The course will start from conceptual examples that illustrate the key intuition and explain linkages between financial statements. It will then build on these examples to forecast the financial statements of real companies.

This course is highly relevant to if you are pursuing any career that requires you to understand or build models. Examples of such careers are investment banking, private equity, buy-side or sell-side research, credit research, corporate finance, and valuation. First year and second year students can both take this course. Those who took it in their first year have told me that this course gave them a significant competitive edge during their interviews and summer internships.

## Disclaimers

- You need to be in the following systems before the start of the first class:
  - NYU Classes
  - Stern AIS
  - Google groups for the class
  - Even your access to `dgode.stern.nyu.edu` is not controlled by me. It is linked to whatever Stern has entered in the class roster. I cannot override it.
- **If you are not in the above systems (which is quite likely if you registered late), you will not be able to access the class materials during the first class and will miss out on important announcements.**

- **Please do NOT contact me regarding access to any of the above systems.** If it takes time for the systems to be updated, contact the school administration. I cannot add students manually to these systems.
- Only registered students will be allowed to sit in this class.
- Classes are not videotaped **unless there is a special session.**
- If you are in the Langone section, please make sure that you can attend the last class because there will be a final exam in the last class.

### Prerequisites

- [Please read about and take the modeling readiness quiz by clicking here.](#)
- If you did poorly on the quiz, it is your responsibility to learn accounting.
- You need to be able to devote 6-8 hours every week to do the required assignments.
- You need to bring a computer to every class. If you have any technical questions, please contact the IT department (212-998-0180), NOT me.
- Excel 2010 or above is required. I will **NOT** be pointing out how to replicate Excel Windows on Excel Mac. Excel 2016 onwards on Mac works well.

### Help and Office

- Me: [dgode@stern.nyu.edu](mailto:dgode@stern.nyu.edu), 212-998-0021, Office: KMEC 10-86.
- Administrative assistant: Halima Khan [hkhan@stern.nyu.edu](mailto:hkhan@stern.nyu.edu) 212-998-0003, Office: KMEC 10th Floor

### Materials and Course Design

- I use my own materials. There is no required textbook. Because of copyright and contractual restrictions, these handouts are distributed only on paper. Electronic copies are not available.
- If you are going to miss the first class, ask a colleague to pick up the handouts for you. It is difficult for me to carry these back and forth.
- There are no extra copies. If you lose your copy, you will have to make copies from your friends' handouts.

### Almaris Assignments

- Review your core concepts carefully.
- The assignments appear as tests on Almaris. I may update the deadlines as the course progresses. The deadlines shown at Almaris are the correct deadlines.
- Some assignments are short, others are long. Please manage your time.
- **NO EXTENSIONS** will be granted for any reason except medical or family emergencies. If you have religious or personal conflicts, submit the assignments early. The related materials are covered well in advance of

the assignments. Please do not email me to request extensions unless you have a medical or family emergency.

- You can collaborate with others while doing assignments.
- All assignments are mandatory. After the first day of class, you can view the on-line assignments at <http://www.almaris.com/assess/> using your official Stern email (no aliases) and most recent password emailed to you by Almaris. The Almaris password is different from the Stern password. **To retrieve the password, use your Stern email id as it appears in the registrar's records.**
- Assignments are marked "late" if you do not meet or exceed the passing score described below before the deadline. There is no additional penalty for lateness other than the low score.
- Assignments have a "passing score" of either 100% or less than 100%.
  - I set the passing score at 100% if I believe that you should be able to ace the assignment. In reality, there is no passing grade. Whatever you get on your last attempt is your final score. That is, you are graded on accuracy but not the number of attempts. If you are allowed five attempts, and you use them, then your score on the fifth attempt is your final score for the assignment. There is a difference between "passing" and getting full credit. If you get 70/100 on your fifth attempt, you "pass" but you don't score a 100.
  - On a few assignments, I set the passing score to be less than 100% if I believe that you may not be able to get every question right. Any score above that score is rounded up to 100%. For example, if the passing score is set at 90%, and you get 93%, then your score is rounded up to 100%. I do the rounding up in a separate spreadsheet. You will see only the raw score on line.
- Almaris is not affiliated with Stern in any way. It is offering these tests to Stern at no charge to Stern.
- Almaris staff is not authorized to extend deadlines under any circumstances. Only my TAs can do that. Almaris staff will reply to your emails only if they pertain to technical issues with the Almaris system. You should contact Stern IT for technical issues with your network.

## Exams and Grading

- If you have a qualified disability and will require academic accommodation during this course, please contact me directly. I will arrange a separate room/time for you.
- Grades will be based upon the following factors:
- 20%: Attendance, professional conduct in class, and class participation as measured by being able to answer questions in class when I call on you in class.

- You will lose points for every missed class unless you have a medical emergency, family emergency, or a confirmed interview, or required work travel for Langone students. No other reasons will be accepted as valid reasons unless you have pre-cleared them with me. If you unfortunately do have a medical or family emergency, do not worry about the course. Take care of that emergency and email me later.
- **If you are more than 10 minutes late, you will be marked absent.**
- Please form teams of four students each. I will distribute the roster once the class starts. You will be doing the cases in teams.
- Please bring your name tags to each class and sit in the same seat every day. All members of a team are required to sit together.
- 30%: Almaris assignments described above.
- 50%: Final exam. Instructions you will see before the exam.
  - **The final exam will not be rescheduled for any reasons except medical or family emergencies. Work commitments will not be a valid reason for rescheduling.**
  - Login to Almaris as soon as you receive these instructions in an email from me. You will see inactive links to your exams and instructions.
  - The instructions at the top of the login screen will tell you how many parts the exam has and their weights.
  - Please report any problems such as wrong deadlines or missing parts of the exam to me immediately.
  - Login to Almaris right before your exam. Refresh your screen to see active links for the exam.
  - Your final score on each part of the exam will be  $\max(\text{score1}, \text{score2} - 7, \text{score3} - 14, \text{score4} - 21, \text{score5} - 28)$ .
  - You are required to answer all questions without any help from another student or anyone else. Any such communication will be construed as cheating. If you have any doubts, email the TA AND me. Whichever one of us reads the message first will respond. If the exam is held in class, you can ask the proctor.
  - **Please keep your email open during the exam and check it periodically. Any updates/corrections will be sent via email.**
  - Manage your time. Extra time will NOT be allowed.
  - This is an open-book and open-notes exam.
  - The exam covers the entire course.
  - In case you are unable to complete a spreadsheet or are unable to debug it, and want us to manually grade your spreadsheet, you must submit the spreadsheet online (NO EMAILS) at NYU Classes (look for File Exchange in the left hand menu bar) within FIVE

MINUTES of the end of the exam. If you submit a spreadsheet for manual grading, your maximum score on that spreadsheet can only be 72/100. This is because someone else who takes five attempts to ace the spreadsheet will get only 72/100 because of the penalty for multiple attempts. Thus, if you submit the spreadsheet for manual grading, you would be considered to have used up your five attempts.

### Important computer tips for the final

- DO NOT WORK ON A SPREADSHEET WITHIN A BROWSER. Save the spreadsheet to your computer, work on it, and save it periodically. If you work on a spreadsheet in a browser and then navigate away from a page, **ALL YOUR WORK WILL BE LOST.**
- Organize your computer files and designate a directory where you will be saving your exam files.
- Restart your computer before the exam to minimize computer problems.
- Use an external mouse with a scroll wheel. A track pad will slow you down.
- Maximize Excel screen space by hiding the ribbon.
- Use a computer with as big a screen as possible.
- Don't use an unfamiliar computer.

### Schedule

- There is no midterm. There will be no in-class graded quizzes.
- **As per Stern rules, the FINAL EXAM for the EVENING CLASS is during the last class. For day classes, check your course page on NYU Classes.**
- **Please do not schedule any travel that conflicts with the exam.**
- A detailed document listing the sequence of topics, related pages from the materials, related spreadsheets, and related assignments is provided in the course materials. The outline below is a brief summary.

Module	Topic
1	▪ Deriving cash flows, enterprise or unlevered cash flows
2	▪ Building blocks of models; Linking cash flow forecasts to value
3	▪ Designing models, Customers; Suppliers, employees, and other expenses
4	▪ Multiperiod models: Long-term accruals and deferrals
5	▪ Excel tools for scenario analysis; Capacity: PP&E and depreciation

6	▪ Modeling taxes
7	▪ Modeling financing
8	▪ Time value of money and bonds
9	▪ Integrative analysis
10	▪ Which cash flows should one discount
11	▪ Prioritizing assumptions in models; sensitivity analysis