



# Subject Outline

## **FIN280 Financial Modelling**



## Section 1 — General information

### 1.1 Administrative details

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| Duration                       | Credit points | Level |
|--------------------------------|---------------|-------|
| One study period<br>(12 weeks) | 6             | AQF8  |

### 1.2 Core or elective subject

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This is an elective subject for the Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance and Master of Applied Finance.

### 1.3 Delivery mode

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This subject is delivered online.

### 1.4 Assumed knowledge

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Kaplan assumes that students have completed FIN202 Fundamentals of Asset Valuation, or understand the content covered in this subject, prior to undertaking FIN280 Financial Modelling.

### 1.5 Course transition subject equivalence

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Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- there are no equivalences for this subject.



## **1.6 Work integrated learning**

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There are no placements, internships or work experience requirements associated with undertaking this subject.

## **1.7 Other resource requirements**

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Students do not require access to specialist facilities and/or equipment to undertake this subject.



## Section 2 — Academic details

### 2.1 Subject overview

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This subject focuses on the skills and techniques required to construct financial models to measure the effects of varying economic and environmental scenarios on an organisation's performance. Spreadsheet models are used in business valuation, business analysis and risk management, and being able to construct, understand and stress test models is an essential skill in applied finance. This subject covers model construction, assumptions, advanced excel functionality, detection and prevention of errors, sensitivity analysis, presentation of model output and tips and traps. Application involves creation of models to make accurate predictions across varied scenarios and case studies, including reporting and communicating with relevant scenario stakeholders.

### 2.2 Subject learning outcomes

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On successful completion of this subject, students should be able to:

1. Explain the concept and principles of financial modelling and the skillset required to become a financial modeller.
2. Use Excel to effectively model business problems and extract essential data from spreadsheets.
3. Illustrate best practice modelling techniques by applying strategies for user-friendly design, consistency, error reduction and data security.
4. Effectively summarise and communicate the assumptions, implications and results of spreadsheet models.
5. Interpret and audit model results in the context of the business situation and address the inherent assumptions through stress testing.

### 2.3 Topic learning outcomes

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#### Topic 1: Introduction to financial modelling

On successful completion of this topic, students should be able to:

- distinguish between a theory, a financial model and a spreadsheet
- use real world examples to discuss the types and purposes of financial models
- evaluate the use of Excel as a tool for financial modelling
- summarise the skills and philosophy of an ideal financial modeler.

## Topic 2: Building a financial model

On successful completion of this topic, students should be able to:

- discuss model design issues and the attributes of good Excel models
- discuss the issues of model risk, spreadsheet governance and best practice principles of modeling
- apply design principles to achieve an effective workbook structure
- understand and follow an efficient model planning and building process
- demonstrate effective communication including model documentation and requests for data.

## Topic 3: Using Excel in financial modelling

On successful completion of this topic, students should be able to:

- apply error avoidance strategies and build error checks
- use basic Excel functions and shortcuts in a range of contexts
- demonstrate best practice in the use of functions and formulas, including the use of cell referencing, nested functions and named ranges.

## Topic 4 — Functions for financial modelling

On successful completion of this topic, students should be able to apply and interpret the results from a wide range of functions in financial modelling including:

- the aggregation functions
- lookup formulas
- Index, Match, Offset, Choose, Forecast, and Trend functions
- financial project evaluation functions
- loan calculations.

## Topic 5 — Tools for model display

On successful completion of this topic, students should be able to:

- discuss formatting principles and apply basic, customised and conditional formatting to financial models
- explain the purpose of sparklines and use them effectively for model display
- use file, worksheet and cell protection, including the use of customised display settings to restrict data entry
- demonstrate effective use of data validation and form controls to improve presentation, data reliability and validity.



## Topic 6 — Tools for financial modelling

On successful completion of this topic, students should be able to:

- distinguish between hiding and grouping and apply each tool in appropriate contexts
- understand the uses of (and apply) goal seek, array tables, pivot tables and macros
- discuss best practice modeling techniques in relation to hiding rows, columns and worksheets and the use of array tables, macros and functions.

## Topic 7 — Common uses of tools in financial modelling

On successful completion of this topic, students should be able to apply and interpret the results from a wide range of tools in financial modelling including:

- the calculation of interest rates
- cumulative totals
- payback period
- weighted average cost of capital
- depreciation and break-even analysis
- produce flat and progressive tiering structures.

## Topic 8 — Model review

On successful completion of this topic, students should be able to:

- understand the need for removing redundant assumptions and source data and apply formula auditing strategies to rebuild inherited financial models
- discuss the rationale for auditing financial models in the context of model risk and enterprise risk management
- discuss formal and informal approaches to model auditing.

## Topic 9 — Stress-testing, scenarios and sensitivity analysis in financial modelling

On successful completion of this topic, students should be able to:

- distinguish between and explain the rationale for sensitivity and scenario analysis
- use and explain the benefits of manual drop-downs, scenario manager and data tables
- format and manipulate table data to support analysis and decision making.

## Topic 10 — Presenting model output

On successful completion of this topic, students should be able to:

- display effective oral and written presentation skills in the delivery of advice based on financial models
- make effective chart-type choices to suit the data to be displayed
- format and manipulate chart data to support analysis and decision making.

## 2.4 Assessment schedule

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| Assessment   | Description  | Week    | Topics | Weighting | Subject learning outcomes assessed |
|--------------|--|---------|--------|-----------|------------------------------------|
| Task         | Briefing paper based on a scenario                                     | Week 4  | 1–2    | 20%       | LO1                                |
| Assignment 1 | Long answer question plus construction of financial models using excel | Week 7  | 1–5    | 40%       | LO1–LO4                            |
| Assignment 2 | Long answer question plus construction of financial models using excel | Week 12 | 3–10   | 40%       | LO2–LO5                            |

Please refer to our website <[www.kaplanprofessional.edu.au](http://www.kaplanprofessional.edu.au)> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

## 2.5 Prescribed text

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There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan’s online databases. Students are encouraged to research and read widely on the topic

## 2.6 Study plan

| Week(s)                         | Topic name  | Study load in hours |
|---------------------------------|---|---------------------|
| 1                               | Topic 1: Introduction to financial modelling  | 8                   |
| 2                               | Topic 2: Building a financial model   | 10                  |
| 3                               | Topic 3: Using Excel in financial modelling   | 10                  |
| 4                               | Topic 4: Functions for financial modelling<br><b>Task (Weighting 20%)</b>                   | 10                  |
| 5                               | Topic 5: Tools for model display  | 10                  |
| 6                               | Topic 6: Tools for financial modelling  | 10                  |
| 7                               | Topic 7: Common uses of tools in financial modelling<br><b>Assignment 1 (Weighting 40%)</b> | 16                  |
| 8                               | Topic 8: Model review   | 10                  |
| 9                               | Topic 9: Stress-testing, scenarios and sensitivity analysis in financial modelling          | 12                  |
| 10                              | Topic 10: Presenting model output   | 12                  |
| 11-12                           | <b>Assignment 2 (Weighting 40%)</b>   | 12                  |
| <b>Total minimum study load</b> |   | <b>120 hours</b>    |

|   |                  |
|---|------------------|
| Additional study hours (if required), dependent on knowledge and personal commitments | 60 hours         |
| <b>Total study load, including additional study hours</b>                             | <b>180 hours</b> |