

TU-E1131 Financial Modeling in Strategy and Venturing

Entry Exam Guideline, Fall 2021

September 23, 2021

SCHEDULE

The obligatory entry exam will be held on **Monday, October 25th, 2021** at 13:00–16:00. Based on current information, the location of the exam will be hall YAula in Y-wing, Undergraduate Center (Kandidaattikeskus), Otakaari 1. Please, check again the exam location and time closer to the exam date. Enrollment to the exam is via SISU (<https://sisu.aalto.fi>).

EXAM BOOK

Rosenbaum, J. & Pearl, J. (2009/2013) Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions (only **Chapter 3** is included in the exam)

The book is available in Aalto university libraries and bookstore as well as in regular bookstores. The book is also available as an e-book from Aalto library service:

https://primo.aalto.fi/permalink/358AALTO_INST/ha1cg5/alma999334666706526

READING GUIDELINE

In the course we want to emphasize not only understanding the methodology, concepts and rationale behind every financial transaction, but also to provide students with practical experience of financial modeling and its execution. Because of this, also the pre-exam will test the students' ability to solve simple calculations based on the material provided. The exam will contribute 20% to the final grade of the course.

The exam will consist of five questions. The required answers are calculations in nature. In each question, a brief introduction of the context of the question is presented along with all the information required to come up with the right answer. The calculations themselves are simple – you can easily do them with a calculator. However, to be able to understand the questions, you have to have a basic understanding of corporate finance and accounting.

Because of the nature of the questions in the exam, we especially want you to

- Introduce the formulae you base your calculations on
- Show calculations as well, not only answers!

Although only chapter 3 is required for the exam, you are strongly encouraged to study the whole book as several topics from the book and previous financial courses will be important during the course. Below are listed some key topics of the area which will be discussed during the course.

- Measuring Firm Value: Valuation methodologies and their use
 - Discounted Cash Flow Valuation
 - Book Value
 - Trading Multiples
 - Transaction Multiples
 - Venture Capital Approach
- Understanding basic financial concepts and their use, for example
 - Capital Structure of firms and its connection to earnings measures (such as ROE, ROI, EPS etc.)
 - CAPM
 - WACC – Opportunity cost of capital and its use in financial modeling
- Being able to interpret and calculate basic accounting information to use in calculations
 - Income Statement, Balance Sheet and Cash Flow Statement and their connection

Good luck in the exam!

Professor Markku Maula

Course Coordinator and Co-teacher Tomasz Mucha