



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

MASTER OF BUSINESS ADMINISTRATION

TUTORIAL QUESTION BANK

Course Name	:	FINANCIAL MODELING
Course Code	:	CMB420
Class	:	MBA IV Semester
Branch	:	MBA
Academic Year	:	2017– 2018
Course Coordinator	:	Ms. P.Bindu Madhavi, MBA
Course Faculty	:	Ms. P.Bindu Madhavi, MBA

COURSE OBJECTIVES (COs):

The course should enable the students to:

I	Understand the basic features and functions in excel
II	Apply models in different areas of finance including investments.
III	Emphasize the concepts of corporate finance and derivatives
IV	Identify the risk which can be built in the model to enhance decision making process
V	Gain knowledge in the advantage of financial modeling using VBA

COURSE LEARNING OUTCOMES (CLOs):

Students, who complete the course, will have demonstrated the ability to do the following:

CCMB420.01	An ability to understand the financial modeling in excel, understanding advanced features of excel database functions in excel, creating charts, control toolbox and different dynamic models.
CCMB420.02	Create an awareness for students about sensitivity analysis features, simulation using excel different statistical distributions used in simulation generating random numbers that follow a particular distribution, building models in finance using simulation.
CCMB420.03	Preparing common size statements directly from trial balance
CCMB420.04	Forecasting financial statements using excel, analyzing financial statements by using spreadsheet model
CCMB420.05	Creating excel in project appraisal, determining project viability.
CCMB420.06	Risk analysis in project appraisal, simulation in project appraisal; excel in valuation, determination of value drivers, discontinued cash flow valuation, risk analysis in valuation.
CCMB420.07	Determining efficient portfolio, creating dynamic portfolios, portfolio insurance
CCMB420.08	Analyzing the fixed income portfolio management using excel, excel in derivatives black and schools model in excel
CCMB420.09	Gain knowledge in Greeks in excel, real options valuation, building a mega model.
CCMB420.10	Understand how to Record and edit macros, subroutines and functions in excel
CCMB420.11	Understand how to make decision rules, message box and input box, debugging in excel for preparing financial statements
CCMB420.12	Designing advanced financial models using visual basic application user forms
CCMB420.13	Extra advanced knowledge in other features, actual model building in excel
CCMB420.14	Create a designing advanced financial models using visual basic application user forms
CCMB420.15	Understand the advantages of financial modeling using VBA

TUTORIAL QUESTION BANK

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)
UNIT-I			
UNDERSTANDING THE BASIC FEATURES OF EXCEL			
PART-A (SHORT ANSWER QUESTIONS)			
1	Define modeling.	Understand	CCMB420.01
2	What is financial model? Write the types of financial model.	Understand	CCMB420.01
3	Discuss the discount cash flow model.	Understand	CCMB420.01
4	What is excel? What did you understand the ribbon?	Understand	CCMB420.02
5	Write about the customization in excel environment.	Understand	CCMB420.01
6	Write the procedure how to set the colour theme.	Understand	CCMB420.01
7	Discuss the chart elements.	Remember	CCMB420.01
8	Differentiate between Ribbon tabs and Ribbon bar.	Remember	CCMB420.01
9	How to arrange data on the worksheet?	Remember	CCMB420.01
10	What is adding custom tabs to the ribbon?	Remember	CCMB420.01
11	How to show or hide a legend?	Remember	CCMB420.01
12	Discuss how a chart can be resized.	Remember	CCMB420.01
13	Explain the table method.	Understand	CCMB420.01
14	What is dynamic formula method?	Remember	CCMB420.01
15	Explain the two ways to build dynamic charts in excel.	Understand	CCMB420.01
PART-B (LONG ANSWER QUESTIONS)			
1	What are the types of financial modeling? Write in brief on each of them.	Understand	CCMB420.01
2	Distinguish Merger and acquisition from option pricing model.	Understand	CCMB420.01
3	Why is Excel used more as a tool for financial decision making?	Understand	CCMB420.01
4	Write the procedure for adding custom tabs to the ribbon in excel.	Remember	CCMB420.01
5	Explain advanced features of excel database function in excel.	Understand	CCMB420.01
6	Explain how charts can be created.	Understand	CCMB420.01
7	Write the finance functions present in excel.	Understand	CCMB420.01
8	Discuss about the advanced features and data function of excel?	Remember	CCMB420.01
9	What is control box? Why it is used? Write its advantages in excel.	Remember	CCMB420.01
10	How to create dynamic models in excel? Write the difficulties while developing the them.	Remember	CCMB420.01
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	Illustrate how a charts are created by using forms and also explain how it can be controlled in excel.	Understand	CCMB420.01
2	Explain about excel. Write its advantages and disadvantages .	Understand	CCMB420.01
3	Under which circumstance we can add custom tabs to the ribbon.	Understand	CCMB420.01
4	Write the procedure for setting a formula in excel.	Understand	CCMB420.01
5	Discuss the following: a. Text functions with suitable examples b. Conditional functions with suitable examples	Remember	CCMB420.01
6	Write the types of charts and differentiate each of them.	Remember	CCMB420.01
7	Why charts are used? Explain step by step that how a charts can be drawn in excel.	Understand	CCMB420.01
8	Explain how can we hide or display secondary axes in excel?	Understand	CCMB420.01
9	Discuss how a formula can be inserted in excel for finding an average of ten students marks with examples.	Remember	CCMB420.01
10	If we want to add or remove a data labels in charts what is the procedure? Explain.	Understand	CCMB420.01

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)
UNIT-II			
SENSITIVITY ANALYSIS USING EXCEL			
PART-A (SHORT ANSWER QUESTIONS)			
1	What is Goal Seek? Give a brief description.	Understand	CCMB420.02
2	Explain one variable data table.	Understand	CCMB420.02
3	Distinguish one variable data and two variable data tables.	Remember	CCMB420.02
4	What is scenario manager? How to make it in excel?	Understand	CCMB420.02
5	Discuss how to create additional scenario? Explain them in brief.	Remember	CCMB420.02
6	Discuss about threshold values.	Understand	CCMB420.02
7	What is sensitivity analysis? Discuss.	Understand	CCMB420.02
8	Explain the random normal distribution in excel blog.	Remember	CCMB420.02
9	What is line chart is also called? Explain in brief.	Understand	CCMB420.02
10	Explain probability, mean and standard deviation in excel.	Remember	CCMB420.02
11	Discuss about the random numbers that follow a particular distribution.	Understand	CCMB420.02
12	Write mean formula and also explain how it mean works under excel?	Remember	CCMB420.02
13	What is normal distributed random number template in excel?	Understand	CCMB420.02
14	Discuss about excel template setting & notes.	Remember	CCMB420.02
15	Explain building models in finance using simulation in excel.	Understand	CCMB420.02
PART-B (LONG ANSWER QUESTIONS)			
1	Explain sensitivity analysis in excel.	Understand	CCMB420.02
2	Distinguish manual what if analysis.	Understand	CCMB420.02
3	Differentiate one variable data table and two variable data table in sensitivity analysis under excel.	Understand	CCMB420.03
4	What is scenario manager? Write the procedure for make a first scenario.	Remember	CCMB420.02
5	Discuss, what you know about the other sensitivity analysis features using excel.	Understand	CCMB420.02
6	Explain the functions of scenario manager. Write its advantages and disadvantages.	Understand	CCMB420.04
7	What is simulation using excel different statistical distributions used in simulation generating random numbers that follow a particular distribution?	Remember	CCMB420.02
8	Write different functionality in statistical distributions used in simulation.	Understand	CCMB420.02
9	Elaborate the building models in finance using simulation with suitable examples.	Remember	CCMB420.03
10	What do you understand about building models in finance explain it with appropriate example?	Remember	CCMB420.02
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	Write the significance for business sensitivity analysis in excel.	Understand	CCMB420.02
2	Explain what is the relation between What-if analysis and scenario manager under sensitivity analysis using excel.	Understand	CCMB420.02
3	Illustrate sensitivity analysis with block diagram by taking example on input data and model factors.	Remember	CCMB420.03
4	simulation using excel different statistical	Understand	CCMB420.02
5	How the distributions used in simulation in generating random numbers that follow a particular distribution? Explain	Understand	CCMB420.02
6	Explain how excel supports the business analyst in developing models in finance using simulation.	Remember	CCMB420.04
UNIT-III			
EXCEL IN ACCOUNTING			
PART-A (SHORT ANSWER QUESTIONS)			

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)
1	Write the types of accounting in excel.	Understand	CCMB420.05
2	What is common size reveals?	Understand	CCMB420.05
3	Discuss about the balance sheet analysis.	Understand	CCMB420.06
4	What are the key principles for forecasting financial statements using excel?	Understand	CCMB420.05
5	What are the terms used in balances sheet? Explain them in brief.	Remember	CCMB420.05
6	Differentiate financial statement analysis and valuation.	Understand	CCMB420.06
7	Write the formula for discount cash flow model in excel.	Understand	CCMB420.05
8	Discuss about the historical Long-run return on equity and IRR by using excel.	Remember	CCMB420.05
9	Write a short note on excel in project appraisal.	Understand	CCMB420.06
10	How can you determine the project viability?	Remember	CCMB420.05
1	What is risk analysis in project appraisal?	Understand	CCMB420.06
2	Write the concept of risk simulation.	Remember	CCMB420.05
3	Discuss the step wise procedure in building a risk simulation model in excel.	Understand	CCMB420.05
4	What is model development? Explain in brief.	Remember	CCMB420.06
5	Write a short note on residual income model (RIM).	Understand	CCMB420.05
6	Write the formula for discounted cash flow valuation (DCF)	Understand	CCMB420.05
7	How is the Discount cash flow formula used for? Discuss.	Remember	CCMB420.05
8	What does the discounted cash flow formula tell you? Discuss.	Understand	CCMB420.06
9	Explain how a model is used for risk analysis.	Remember	CCMB420.05
10	Write a short note on (a) Creating the model and (b) Model Simplification.	Understand	CCMB420.05
PART-B(LONG ANSWER QUESTIONS)			
1	Elaborate the procedure for preparing the common size statements directly from trial balance using excel.	Understand	CCMB420.06
2	In general business needs forecasting for future analysis for decision making, now, explain how the financial statements are prepared by using excel?	Understand	CCMB420.05
3	What is revenue? Write the margin assumptions of revenue using excel.	Remember	CCMB420.05
4	Write about the depreciation with assumption.	Understand	CCMB420.05
5	What is balance sheet? Why the balance sheet is prepared. Explain the features of the balance sheet.	Understand	CCMB420.06
6	How financial statements are prepared by using spreadsheet model? Explain them in brief.	Remember	CCMB420.05
7	Differentiate balance sheet, income statement and cash flow statement	Understand	CCMB420.05
8	What is excel in project appraisal? Explain each element in brief.	Understand	CCMB420.05
9	Distinguish Internal rate of return (IRR) and profitability index method (PI).	Remember	CCMB420.06
10	Explain step by step procedure for determining project viability.	Understand	CCMB420.05
1	Discuss under which situation. the business is require risk analysis in project appraisal	Understand	CCMB420.06
2	What is risk analysis? Do you agree that risk analysis helps the business in risk manage?	Understand	CCMB420.05
3	Write the importance of simulation in project appraisal. Construct risk simulation model.	Remember	CCMB420.05
4	Write the formula for Net present value equation. Explain how will you substitute the values in excel.	Understand	CCMB420.05

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)
5	Discuss about excel in valuation with suitable example.	Understand	CCMB420.06
6	What is value driver? Write the advantages of value drivers.	Understand	CCMB420.05
7	Discuss the determination of value drivers with suitable example.	Remember	CCMB420.05
8	Writ formula for discontinued cash flow valuation and also steps need to follow in excel.	Understand	CCMB420.05
9	Explain risk analysis in valuation with example.	Understand	CCMB420.05
10	How will you create a model in risk analysis in valuation? Discuss.	Remember	CCMB420.06
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	How can excel be used to Prepare common size statements from trial balance	Understand	CCMB420.06
2	Can excel be used in forecasting financial statements? If yes, Explain in brief.	Understand	CCMB420.05
3	Explain how can financial statements be analyzed by using spreadsheet model?	Remember	CCMB420.05
4	Explain the method using excel in project appraisal.	Understand	CCMB420.05
5	Enumerate the steps involved in determining project viability. Justify the use of excel in the process.	Remember	CCMB420.05
UNIT-IV			
EXCEL IN PORTFOLIO THEORY			
PART-A (SHORT ANSWER QUESTIONS)			
1	Explain about portfolio. Do you agree that efficient portfolio gives good returns?	Understand	CCMB420.09
2	How a risk is measured? Explain in brief.	Understand	CCMB420.09
3	Write about various kinds of risk-return profiles.	Remember	CCMB420.10
4	Differentiate between project and portfolio management.	Understand	CCMB420.09
5	How is Portfolio Insurance helpful for investors?	Understand	CCMB420.09
6	Explain how a company collects its historical portfolio values?	Remember	CCMB420.09
7	Write the process for changing the order of your data in excel.	Understand	CCMB420.10
8	What is transaction history?	Understand	CCMB420.09
9	Define derivatives. Can derivatives be expressed under black Scholes formula? How?	Remember	CCMB420.09
10	What does GREEKS in Excel mean?	Understand	CCMB420.09
11	What is the Black Scholes option pricing model?	Understand	CCMB420.08
12	What is Black Shcoles Greek excel? Write the formula for it using excel.	Understand	CCMB420.08
13	Write the features of the real options valuation template in excel.	Understand	CCMB420.09
14	What are included in Excel Real Options Valuation?	Remember	CCMB420.09
15	Discuss the key principles for building a mega model.	Remember	CCMB420.09
PART-B (LONG ANSWER QUESTIONS)			
1	Explain in Detail about Efficient Portfolio. Draw Graphs wherever necessary.	Understand	CCMB420.09

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)																																			
2	What do you understand by Dynamic Portfolio? How to create a Dynamic Portfolio?	Understand	CCMB420.08																																			
3	What are the Key Principles to build good Excel Models from User's perspective?	Understand	CCMB420.09																																			
4	List out the Steps in Documentation Tabs and also its advantages.	Understand	CCMB420.10																																			
5	What are the advantages of Financial Modeling using VBA?	Remember	CCMB420.09																																			
6	How did Black & Scholes Option Pricing Model evolve? or	Understand	CCMB420.09																																			
7	What importance does Logic have in building Excel Model	Understand	CCMB420.09																																			
8	What importance does Efficiency have in building good Excel Model?	Remember	CCMB420.10																																			
9	What importance does Transparency have in building good Excel Model?	Understand	CCMB420.09																																			
10	Explain in detail about the building a mega model.	Remember	CCMB420.09																																			
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)																																						
1	<div>Draw a graph with the help of table given below mentioning the risk-return profile for different portfolios created by combining the two assets in different weights:</div> <table><tr><th>Portfolio</th><th>A Proportion</th><th>B Proportion</th><th>Expected Return</th><th>Standard Deviation</th></tr><tr><td>1</td><td>1</td><td>0</td><td>12.00%</td><td>20.00%</td></tr><tr><td>2</td><td>0.9</td><td>0.1</td><td>12.80%</td><td>17.64%</td></tr><tr><td>3</td><td>0.76</td><td>0.24</td><td>13.92%</td><td>16.27%</td></tr><tr><td>4</td><td>0.5</td><td>0.5</td><td>16.00%</td><td>20.41%</td></tr><tr><td>5</td><td>0.25</td><td>0.75</td><td>18.00%</td><td>29.41%</td></tr><tr><td>6</td><td>0</td><td>1</td><td>20.00%</td><td>40.00%</td></tr></table>	Portfolio	A Proportion	B Proportion	Expected Return	Standard Deviation	1	1	0	12.00%	20.00%	2	0.9	0.1	12.80%	17.64%	3	0.76	0.24	13.92%	16.27%	4	0.5	0.5	16.00%	20.41%	5	0.25	0.75	18.00%	29.41%	6	0	1	20.00%	40.00%	Understand	CCMB420.09
Portfolio	A Proportion	B Proportion	Expected Return	Standard Deviation																																		
1	1	0	12.00%	20.00%																																		
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5	0.25	0.75	18.00%	29.41%																																		
6	0	1	20.00%	40.00%																																		
2	Mention the steps involved in plotting a graph/ bar diagram using excel (select any graph).	Understand	CCMB420.09																																			
3	Write a few lines on the historical background of Black & Schole's Option Pricing Model.	Remember	CCMB420.10																																			
3	Write the formula as per Black Scholes' model. Explain the variables contained therein.	Understand	CCMB420.09																																			
5	Create dummy data by your own and create a pie diagram.	Remember	CCMB420.09																																			
6	Write the significance and assumptions in Black Scholes' model in excel	Understand	CCMB420.09																																			
7	Name the formulae used under Greeks in excel.	Understand	CCMB420.10																																			
8	Differentiate bar diagram with Line chart with suitable example.	Remember	CCMB420.08																																			
9	Write the key principles involved in building a new excel model?	Understand	CCMB420.09																																			
10	Discuss different tabs involved in calculation tabs in excel model.	Understand	CCMB420.10																																			
UNIT-V																																						
UNDERSTANDING SUBORDINATES AND FUNCTIONS AND BUILDING SIMPLE FINANCIAL MODELS USING SUBORDINATES AND FUNCTIONS																																						
PART-A(SHORT ANSWER QUESTIONS)																																						
1	What is a macro?	Understand	CCMB420.13																																			
2	Explain about subroutines in excel.	Understand	CCMB420.14																																			
3	Discuss the rules for writing the external functions.	Understand	CCMB420.15																																			
4	Give a brief account of (a) Intrinsic functions (b) Functions subprograms.	Remember	CCMB420.13																																			
5	Exemplify the implications to be considered in passing arguments.	Remember	CCMB420.14																																			
6	Define decision rules.	Understand	CCMB420.15																																			
7	Illustrate decision rules with block diagram.	Understand	CCMB420.15																																			
8	What is the use with message box in VBA? Explain in brief.	Remember	CCMB420.13																																			
9	Write about the significance of Input box in VBA.	Remember	CCMB420.14																																			
10	Brief about the debugging process.	Understand	CCMB420.15																																			
11	What are the advantages of financial modeling using VBA.	Understand	CCMB420.13																																			

S. No	QUESTION	Blooms Taxonomy Level	Course Learning Outcome (CLOs)
12	Differentiate between message box and input box.	Understand	CCMB420.13
13	Distinguish between subroutines and functions.	Remember	CCMB420.13
14	What is the significance of identification of the input variables in the financial model using excel and VBA?	Understand	CCMB420.14
15	What are the steps involved in checking the recorded code in macros?	Remember	CCMB420.15
PART-B(LONG ANSWER QUESTIONS)			
1	Explain in detail the process of recording and editing macros.	Understand	CCMB420.13
2	Write short notes (a) Built-in functions (b) statement functions (c) debugging.	Understand	CCMB420.14
3	Discuss where can be the decision rules can apply in excel?	Remember	CCMB420.15
4	Where do the message box is utilized? Illustrate it in simple message program.	Understand	CCMB420.13
5	In what way the debug is useful for the programmer, explain in detail about the debugging under excel.	Understand	CCMB420.13
6	By using visual basic application how can we develop an advanced Financial models elaborate.	Remember	CCMB420.14
7	How to create sparklines under other advanced features in visual basic application?	Understand	CCMB420.15
8	Write about conditional formatting in advanced features in Visual Basic Application.	Remember	CCMB420.13
9	Explain in detail about other advanced features in Visual Basic Application	Understand	CCMB420.14
10	How can a programmer develop actual model building under visual basic application?	Remember	CCMB420.15
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1.	Explain how the VBA helps the macros in editing and recording the data in excel?	Understand	CCMB420.12
2	Show how a subroutines works in excel under VBA and explain the meanings of the arguments and what the subprogram does under subroutines.	Understand	CCMB420.13
3	How does a decision rules helps you to determine, which conditions are likely to result in a specific outcome in excel?	Remember	CCMB420.14
4	message box and input box	Understand	CCMB420.15
5	Where is the VBA debugger in excel? Explain the procedure for finding it in excel.	Remember	CCMB420.12
6.	Briefly explain about designing advanced in financial models using visual basic application user forms?	Understand	CCMB420.13
7.	Write at least five other advanced features in excel?	Understand	CCMB420.14
8.	Distinguish pivot table and conditional formatting in excel?	Remember	CCMB420.15
9.	Explain the following: (a) sorting Filtering, (b) Basic Math (c) Mixed type charts.	Understand	CCMB420.14
10.	Discuss how a supply chain model can be build using excel?	Remember	CCMB420.15

Prepared by:

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HOD, MASTER OF BUSINESS ADMINISTRATION