

Weekly Newsletter "KAIZEN"

The students of MBA (Engineering) have started a weekly newsletter titled "KAIZEN" meaning "Continuous development and improvement". Every week, a team of two editors (students by rotation) release a new issue of the newsletter. The newsletter contains contemporary issues and news related to the national and global business & economic world. In the book review section, the students review a management related book or publication critically. To show our respect for the management thinkers, every issue contains about the personality and the contributions of one of the legendary guru. For innovative and tech-savvy readers, a section on new technologies and products is also included in the newsletter. A section containing discussion on any one management concept is also placed for triggering the thinking process. The newsletter is little bit spiced with a fun corner to bring out the lighter side of workplace humour.

KAIZEN

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College of Technology & Engineering, Udaipur

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CONTEMPORARY ISSUE

Financial modeling

Financial modeling is the task of building an abstract representation (a model) of a financial decision making situation. This is a mathematical model designed to represent (a simplified view of) performance of a financial asset or a portfolio, of investment. Financial modeling is a general term that means different things to different users: the reference usually relates either to accounting and corporate finance applications, or to quantitative finance applications. While there has been some debate in the industry as to the nature of financial modeling - whether it is a trademark, such as trading, or a science, the lack of financial modeling has been gaining acceptance and rigor over the years. Typically by financial modeling is understood to mean an exercise in either asset pricing or corporate finance, or a quantitative nature. In other words financial modeling is about maintaining a set of hypotheses about the behavior of markets or agents into a model predictions such as firms decisions about investment (eg. the firm will invest 20% of assets) or investment returns (eg. returns on this stock will, on average be 10% higher than the market's returns).

Accounting in corporate finance, investment banking and the accounting provision financial modeling in large corporations with cash flow forecasting. This usually involves the preparation of detailed corporate specific models used for decision making purposes and financial analysis. Applications include:

- Business valuations, especially discounted cash flow, but including other valuation methods.
- Capital budgeting.
- Cost of capital (i.e. WACC) calculations
- Financial statement analysis (including of operating and finance leases, and R&D)
- Proper finance

Modelers are sometimes referred to (jargon in check) as "financial engineers". Typically, the modeler will have completed an MBA or MSF with (optional) coursework in "financial modeling". Accounting qualifications and finance certifications such as the CFA are also common. The most specialized Master's/ Computational Finance or Master of Financial Engineering. Although spreadsheets are widely used here also (almost always requiring extensive VBA), custom C++ or numerical analysis software such as MATLAB is often preferred, particularly where stability or speed is a concern. For many (of the standard derivatives and portfolio) applications, commercial software is available, and the choice as to whether to use it or to develop in-house, or whether existing products are to be deployed, will depend on the problem in question. The complexity of financial models may result in incorrect pricing or hedging or both. This model may be the subject of ongoing research by finance academics, and is a topic of great, and growing, interest in the risk management community.

BOOK REVIEW

"Six Thinking Hats" by Edward De Bono

A popular thinking technique across numerous and brainstorming sessions, the thinking that 'not' provides a stream for groups to think together more effectively, and a stream to plan thinking processes in a detailed and objective way. De Bono uses opposite to distinguish between different ways of thinking. The six hats they can be identified 'mainly' contrast to jargonous terms. The thinking hats are useful for them as they illustrate the need for individuals to address problems from a variety of different angles. They also aid learners as they allow the individual to incorporate any 'concerns' that may arise in the discussion. They also aid learners as they allow them to recognize any 'concerns' that may arise in the discussion. They also aid learners as they allow them to recognize any 'concerns' that may arise in the discussion. They also aid learners as they allow them to recognize any 'concerns' that may arise in the discussion.

Color	Name	Function
White	White Hat	Objective facts and figures
Red	Red Hat	Emotions and feelings
Yellow	Yellow Hat	Optimism and benefits
Green	Green Hat	Creativity and new ideas
Blue	Blue Hat	Organization and control
Black	Black Hat	Critical judgement and risks

So the morning may start with everyone reviewing the Blue hat to discuss how the meeting will be conducted and to develop the goals and objectives. This meeting may then move to Red hat discussion as they allow them to recognize any 'concerns' that may arise in the discussion. They also aid learners as they allow them to recognize any 'concerns' that may arise in the discussion. They also aid learners as they allow them to recognize any 'concerns' that may arise in the discussion.