



## LAUREA - AMMATTIKORKEAKOULU

## ABOUT LAUREA

**Name of the organization**

Laurea University of Applied Sciences  
www.laurea.fi

The name derives from the Latin word "laurea" meaning a laurel wreath, a metaphor in Western culture for victory, knowledge and poetry.

**About the organization**

Laurea University of Applied Sciences serves the Helsinki metropolitan area with particular emphasis on the area's competitiveness and development. It has been an innovator for new teaching methods and operations models, such as Learning by Developing. This involves students in a number of diverse and demanding development projects which Laurea implements side by side with businesses and organisations. The idea of communities of experts working towards common objectives is to bring about new know-how not only for the learners themselves but also for the development of work-life and the metropolitan area. Proximity to work-life and a learning process based on understanding and insight can be considered the particular strengths of this educational method. Such a contemporary and future-oriented viewpoint is motivating, new learning processes create enthusiasm for studying.

**Number of students**

Laurea is Finland's third largest multi-disciplinary university of applied sciences with more than 8000 students (of whom 1200 in adult education), and 11 Finnish-language and 4 English-language degree programmes  
*Photo: lobby in the Leppävaara unit, by Ari-Harry Jansson*



## "PRACTICE BRINGS THE WORLD OF BUSINESS CLOSER"

With Invest for Excel software theory becomes more concrete.

- **Background**

Within the metropolitan higher-education environment, Laurea has profiled itself as a producer of worklife-related innovations and as a medium for know-how.

The **Invest for Excel** software package has its own role to play in this process. Invest has been in use at Laurea Leppävaara in Espoo since 2002. Students on the Bachelor of Business Management programme study 20 credits of finance, risk management and investments during their third year of studies. In the spring of 2008 Invest was introduced with Leppävaara's Degree Programme in Business Management (BBM), which is taught completely in English. For them, investment calculation comes at the end of the 2nd year.

*"Invest is a good package. It's well suited to studying capital budgeting and brings out the progression underlying the whole process. I use it for the BBM students' Financial Management study unit. We would like to extend use of this program to other study units and at the same time we're thinking about making use of it in business projects. It's also been used for final theses,"* says Kaija Koivusalo, KTM and senior lecturer in accounting.

Kaija Koivusalo has many years' experience with evaluating capital investment decisions in pulp, paper, and sawmill companies and more recently being involved in business management training. She has used Lotus, IFPS, and Excel in preparing calculations, and was delighted to find a ready-made comprehensive package suitable for teaching purposes that would benefit her in her present work.

- **A study model closely based on work-life.**

**Invest for Excel** is well-suited to the idea of an open learning environment in which the student develops into a responsible decision-maker in business life by solving present-day problems in teams in collaboration with businesses. Students find it makes studying more meaningful when they are using a software application which is actually in use with many companies. Concrete examples offer them the possibility to observe what decision-makers base their decisions on when these have a decisive effect on companies' futures.

*"As a business management teacher I'm anxious that students should get a feeling for the program's content. It's not so important to teach them how to use a particular program, rather they need to realise why and when it's used and how the results should be interpreted,"* according to Kaija Koivusalo.

This normally means that students solve fictional projects, for instance forest industry investment. They learn by doing, so variables are left open. The idea is not to guide students too strictly by feeding them ready facts and solutions, but to give them time to ponder and to collect data, for example from annual reports and the Internet. Students are grouped into teams which

meet for 4-5 hours at a time in workshops during a study unit that runs for 1½ months. Often the first version of the calculation is “plucked from a hat” and then refined later.

Students are expected to justify which alternative is best or even whether any of the available alternatives makes sense. At first their opinions tend to be quite diverse, but over a period of time their viewpoints gradually converge. When one of the criteria differs noticeably they have to try and find out why by explaining the numbers on which their calculation has been based. Students discuss what various basics such as discount rate and risk mean, in what way decisions affect the result, and what can be gleaned from sensitivity analyses.



“One of Invest’s many advantages is that it automatically ensures that students keep moving forwards, otherwise they would too easily spend time on the outward appearance or on Excel formulas, and would forget what they’re really supposed to be doing. For higher education purposes it’s also important for a program to be fast like Invest, and not ‘get stuck’ like those programs whose speed is adversely affected the more simultaneous users there are”, says a grateful Kaija Koivusalo (see photo).

### ● Students are pleased with Invest for Excel’s ease of use

Theory becomes concrete through practice tasks. “*Students have often been amazed at how easy investment calculation can be*” according to Kaija Koivusalo. Invest for Excel really **is** easy to use. It helps students to get an understanding of the core idea, namely the step-by-step process by which the investment proposal is built up. With a solid theoretical background and systematic calculations, the final outcome is dependable. It’s a good idea to run more demanding calculations on Invest too, so that the profitability of the particular project can be deliberated from various viewpoints. Students realise that in working life decisions are rarely based on calculations alone even though these provide significant back-up in the decision-making process.

“*Certain things can seem difficult at first, such as adding new specification rows and remembering the right prefix when entering numerical data. But once you notice that the results are out of proportion and you then practise these things for a while, everything starts to drop into place. On the other hand it can be useful to be forced to ponder why the result was so unexpected, after accidentally entering faulty data*” muses Kaija Koivusalo.

The WACC dialog box offers an illustration of one detail which is instructive from the learning point of view. When the discount rate is not given, students need to use the company’s balance

sheet to find out the ratio of equity to liabilities. Another example is working capital, which is entered in the investment table and is finally released at the end of the calculation period. The automatic feature is so designed that the person running the calculations sees the effect of his choices on the final result.

Sensitivity analyses and so-called “spider diagrams” can be used to show in graphical form how one particular factor such as a 10% change has a more significant impact on profitability than an equal change in some other assumption. So that not everything would be ready-given, students learn to interpret and visualise cash-flow calculation by also drawing their own graphs based on the numbers. The ‘Change language’ facility and in particular the comparison table are likewise considered first-rate features. Data is automatically updated in the table as changes are made within the calculations so that different alternatives can easily be compared.

Kaija Koivusalo trusts and enthuses about her students: “*Assignments are accomplished as group-work taking full advantage of IT in an amazingly short time. Students are clever with Excel. They know how to source information as long as the tasks motivate them and study is seen to be meaningful. They take encouragement from real-life needs and tasks that are straight from business life. An excursion to Outokumpu Oyj, which uses Invest for Excel throughout the whole concern, demonstrated the software package’s significance for a major company’s investment calculations, which for its part boosted the students’ keenness to use Invest.*”

Investment calculation still gets too little classroom time. “There isn’t really any kind of classroom situation in which interconnected profitability calculations can be carried out stage by stage as in Invest. The orientation in general needs weighting more towards finance, though capital investment studies and the role of English are getting increased attention. Cash flow and discounting are important from the teaching point of view too, the same as current IFRS and company valuation,” says Kaija Koivusalo.

In the assessment of business plans and the commercialisation of ideas students could use investment calculations and carry out small projects for growth companies and SMEs. This would make students familiar with the accounting needs of the business world at the same time as promoting enterprise and firms’ learning processes.

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