

# Modelling Financial Statements

e-learning at your fingertips...when you need it

## Course Structure

The Course comprises of 45 core modules which take the user step by step through the process of modelling the Income Statement, the Cashflow Statement and the Balance Sheet. Starting from a clean spreadsheet, the user learns to analyse historical trends, identify key "Drivers", seek additional information and make defensible model assumptions. Next, the user learns how to accurately and efficiently convert the model assumptions into an integrated set of pro-forma financial statements.

Each core module covers:

- ▶ Forecasting Methods
- ▶ Model Assumptions
- ▶ Cell by cell modelling instructions
- ▶ Demonstration Video
- ▶ "Check" spreadsheets to verify work completed
- ▶ Detailed notes as an on-going reference

The Course also covers core accounting concepts relating to the three financial statements, a discussion of key management ratios and provides instructions for using the model to carry out different types of analyses.

## Who should take this Course?

- ▶ Credit Analysts
- ▶ Corporate Finance Executives
- ▶ Business / Corporate Bankers
- ▶ Accountants
- ▶ CFO's & Corporate Treasurers
- ▶ Investment Bankers
- ▶ Leveraged Finance specialists
- ▶ Merger and Acquisition specialists

*Modelling Financial Statements is a comprehensive web based Course designed for practitioners. Through utilising adult learning principles and leveraging the power of multi-media, it provides a stimulating and effective learning experience.*



Learning to model an integrated and consistent set of Financial Statements is a foundational skill for anyone working in a finance or finance related role. It requires 3 core areas of competency i.e.

- ▶ An understanding of core accounting concepts
- ▶ An ability to apply the accounting concepts to design internally consistent "model logic"
- ▶ Excel skills that accurately and efficiently convert "model logic" into "spreadsheet logic"

These skills are traditionally taught by an instructor over the course of a 2 or 3 day program. While this type of training has its place, time constraints and the differing skill level of course participants often makes it difficult for an instructor to comprehensively cover all three competency areas to the extent required.

The objective of this Course is to overcome this limitation by eliminating this artificial time constraint and allow each participant to work through a comprehensive coverage of the core competency areas at his/her own pace. It also allows plenty of time and opportunity for participants to reflect on and review areas requiring deeper study.

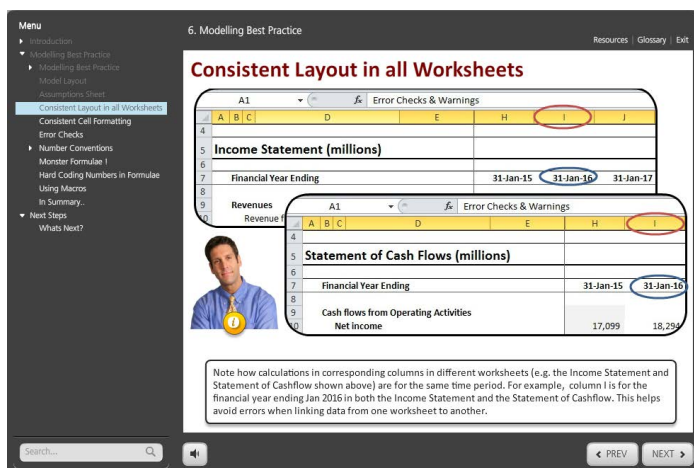
Over 45 concise modules, this Course takes the participant step by step through the process of building a model from a blank spreadsheet. Multi-media elements such as animated diagrams, screen shots and video content are fully leveraged to provide an engaging and effective learning experience. Comprehensive instructor support is available via e-mail, phone conferencing and screen sharing webinars.

# 01 Start from first principles...

Begin with an exploration of the Income Statement, Cashflow Statement and Balance Sheet. Each line item in all three statements is discussed along with the key linkages between the financial statements. Understanding is reinforced through discussion of accounting concepts and use of detailed examples that clarify topics such as different methods of calculating tax and accounting depreciation, valuing inventory, calculation of current and deferred taxes, direct and indirect methods of calculating operating cashflow etc. Implications for modelling are flagged throughout the discussion.



# 02 Learn about modelling best practice....



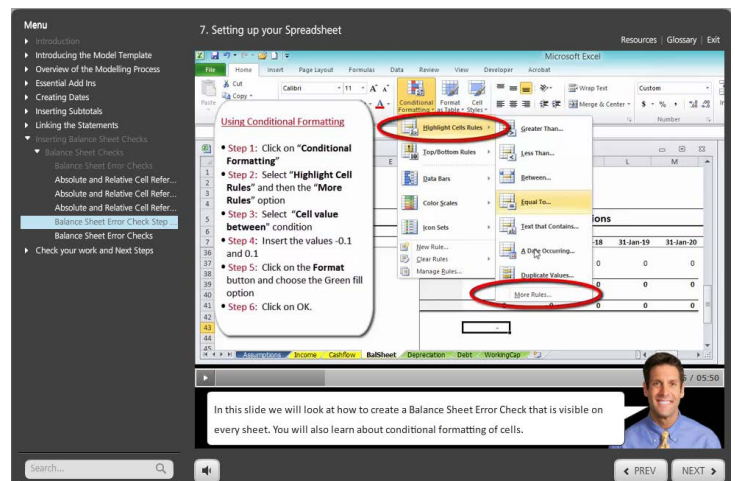
Next explore modelling best practice including how to:

- set up your model structure so that it is easy to understand
- build consistency into your worksheets to avoid errors
- input model assumptions in a way that allows the flexibility to carry out sensitivity and scenario analysis
- use cell formatting for clarity
- build in "Error Checks" that flag errors at each step through the modelling process
- avoid formulae that are hard to understand
- use clear number conventions to avoid errors
- avoid risky practices such as the use of hard coding

# 03 Improve your Excel skills

While the Course assumes a familiarity with basic Excel operations, improve your efficiency and productivity by learning more about:

- Excel Functions
- Excel Keyboard Tips
- Excel Shortcuts
- different types of Excel Error Messages and how to fix them
- using Excel Cell Styles for formatting
- using Conditional Formatting to highlight errors



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## Leverage multi-media to learn key concepts...

Engage with animated diagrams, screenshots and video content to understand concepts visually. Review as many times as required.

**Link Two:**  
‘Change in Cash’ on Cashflow Statement to ‘Cash’ on Balance Sheet

Cashflow Statement	Balance Sheet
Net Income (+/-)	Cash
(+/-) Non-Cash Adjustments	Accounts Receivable
(+/-) Change in Working Capital	Accounts Payable
<b>Total Operating Cashflow</b>	Accrued Taxes
(+/-) Capex & Disposal of PP&E	Other Accrued Payables
(+/-) Business Investments/ Divestments	<b>Current Assets</b>
(+/-) Other Investment Activities	Investments
<b>Total Investing Cashflow</b>	PP&E
(+/-) Repayment/Drawdown of Loans	Intangible Assets
(+/-) Buyback/Issuance of Equity	Other Assets
(-) Dividends Paid	<b>Non Current Assets</b>
<b>Total Financing Cashflow</b>	Long Term Borrowings
(+/-) Exchange Rate Impacts	Deferred Taxes
<b>Total Change in Cash</b>	<b>Non-Current Liabilities</b>
	Paid in Capital
	Retained Earnings
	Treasury Stock
	Comprehensive Income
	<b>Total Shareholder Equity</b>

Cash (Balance Sheet) = Previous Period Cash Balance + Change in Cash (from Cashflow Statement)

05

## Follow step by step instructions...

**Modelling COGS**

Next we will enter the formula for COGS on the Income Sheet. The formula we will use to model COGS is:

$$\text{COGS for Current Period} = - \text{Current Period Sales Revenues} * (\text{COGS Assumption} (\%) + \text{Modifier} (\%))$$

	31-Jan-15	31-Jan-16	31-Jan-17	31-Jan-18	31-Jan-19
Total Revenue	485,053	485,405	506,173	535,178	530
Cost of goods sold	(365,086)				
Gross profit	120,565	865	500,173	535,178	530

Enter the formula in cell "I13" and copy and paste it across the row.

$= -130 * (\text{Assumptions}!I15 + \text{Assumptions}!G5:I15)$

Note the minus sign. Under our number convention, COGS is shown as a negative number on the Income Statement.

View screenshots with step by step instructions. Watch videos that bring it all together and download pdf "Notes" for future reference. Check your work against completed spreadsheets at each step along the way.

**7. Setting up your Spreadsheet**

Microsoft Excel

Paste Special

Formulas

Options

Transposing

OK

Cancel

**10. Cost of Goods Sold**

**Historical Data - Cost of Goods Sold**

Consolidated Statements of Income

	2013	2012	2011
Revenues:			
Net sales	\$466,114	\$443,854	\$418,952
Membership and other income	3,048	3,096	2,897
	469,162	446,950	421,849
Cost of sales	(352,488)	(335,137)	(314,086)
	88,873	85,285	81,361
	27,801	26,528	25,542

**Cost of Sales**

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

Cost of Goods Sold can be found on page 32 of the 2015 Annual Report. Additional Notes to the Accounts on page 38.

## 06

# Learn about key management ratios...

Learn about the four categories of management ratios, their uses and their weaknesses. Learn to model them on your spreadsheet.

- Liquidity Ratios e.g. Current Ratio, Quick Ratio
- Profitability Ratio e.g. Gross Margin, Operating Margin
- Efficiency Ratios e.g. ROA, ROE and ROCE
- Leverage Ratios e.g. Debt-Equity Ratio, Capitalisation Ratio

The screenshot displays two slides from a presentation titled '44. Modelling Key Ratios'. The left slide, 'Current Ratio', includes a menu on the left with options like 'Introduction', 'Introducing Financial Ratios', 'Liquidity Ratios', 'Profitability Ratios', 'Efficiency Ratios', 'Debt / Leverage Ratios', and 'Progress Check'. The main content area has buttons for 'Formula', 'Variations', 'Walmart's Ratio', 'Weakness', and 'Interpretation'. The 'Current Ratio Definition' text states: 'The Current Ratio is defined as the ratio of Current Assets to Current Liabilities.' It further defines 'Current Assets' as cash and other assets expected to convert to cash within 12 months, and 'Current Liabilities' as liabilities expected to be paid within 12 months. The right slide, 'Gross Margin', follows a similar layout. Its 'Formula' section shows: 
$$\text{Gross Profit Margin (\%)} = \frac{\text{Revenues} - \text{COGS}}{\text{Revenues}} \times 100$$
 where COGS = Cost of Goods Sold. It also includes buttons for 'Variation', 'Walmart's Ratios', 'Weaknesses', and 'Interpretation'.

## 07

# Learn how to carry out various types of analyses..

The screenshot shows slide '45. Using the Model' with the title 'Setting up for Scenario Analysis'. It includes a 'Menu' on the left and a main content area. A text box says: 'Step 1: Copy cells D12-D50 and paste into columns H,I and J'. Below this is a screenshot of an Excel spreadsheet. The spreadsheet has columns A through J. Columns D through J are highlighted in yellow. A red circle highlights the 'Model Assumptions' section in column D, which includes rows for 'Sales Revenue Growth Rate', 'Sales Operating Expenses', 'Cost of Goods Sold (COGS)', 'Other Income', 'Operating Expenses - Sales Discount', 'Income Tax Expense', 'Interest Income from bank of Discount Corp.', 'Net Income from Discount Corp.', and 'Extraordinary Events'. The 'Change in Assumptions' and '% Change in Contribution Margin' columns are also visible. The 'Sensitivity Analysis' section is on the right, showing a table with columns for 'Assumptions', 'Change in Assumptions', '% Change in Contribution Margin', and 'Selected Scenario'.

Learn how to setup your model for Sensitivity Analysis and identify key risk factors. Learn how to setup for and carry out Scenario Analysis. Learn how and when to use a Change Log.

## Customize your Training...

Customise the Course content to your market and/or team requirements or convert to a blended learning format with one or more days of instructor led training. Email us at [info@fourquadrantlearning.com.au](mailto:info@fourquadrantlearning.com.au) for more information.

# 7 reasons to buy this Course

1. Very comprehensive course
2. Available anytime, anywhere, on demand. No loss of productivity/ days out of office.
3. Material can be revisited multiple times to ensure all the concepts are clearly understood and retained.
4. Leverages multimedia to explain concepts in a way that make the concepts easy to understand and retain.
5. Great primer and reference to have on your desk top when working on a transaction.
6. Fantastic value for money; volume discounts make it very cost effective for those needing to train very large teams.
7. Ensures consistency of training content and quality when deployed across large teams.

## How It Works

### HOW TO SIGN ON

- ▶ **Web:** Log on to our website at [www.learnprojectfinance.com](http://www.learnprojectfinance.com) and purchase the course there.
- ▶ **Email (Order):** Email us at [sales@fourquadrantlearning.com.au](mailto:sales@fourquadrantlearning.com.au) and we will invoice you with payment instructions.

Once we receive your payment, we will send you an email with your log-in information (usually within 24-48 hours) and you are ready to go. We will also send you an invoice with your Access Date and Expiry Date via e-mail for your records. Once you purchase a course you will have access to the e-learning content for 365 days.

The Course Modules are available online, anytime, anywhere, via your browser. Once you log-in to our Site using the password provided, you can select the module you want to view and click on it. Our easy to navigate courses will guide you through from start to finish. You can start, stop and pick up right where you left off, whenever you want.

**If you are interested in buying multiple licenses for your team or organisation, please contact us for more information as price discounts are available for 2 or more licenses**

**To view our Demo Module visit our website**



# Why e-learning

There is abundant research based evidence that e-learning is a time and cost effective means of providing training. However, the potential of this mode of training is largely untapped in specialised areas such as Corporate Finance. Here are some of the reasons you might wish to consider e-learning for your organisation.

## Reduced training costs

e-learning can be very cost effective, particularly when you take into account reduced travel and accommodation costs.

## Increased productivity

Because e-learning is not bound by geography or time, you can simultaneously reach learners spread across the organisation nationally and internationally, supporting tenure based organisational training in a timely manner. You can control training's impact on productivity by training people during down times.

## Standardisation

You may have access to other means of training but with e-learning, you can be sure that the training will be delivered with the same consistency in quality.

## Personalised learning

Adult learners learn best when the learning is self-directed allowing each learner to learn at their own pace with time for reflection and review. Learning is even more powerful when the learner has the opportunity to apply the learning in real time. E-learning programs leverage these principles in a way that classroom learning cannot.

## Improved retention

The combination of multimedia and instructional design produces a very rich learning experience that is repeatable. With good practice activities and feedback, e-learning offers a learning environment that helps learners retain the course content and produce results.

## Real-time access

E-learning courses can be accessed anytime, anywhere. Learners can refresh their knowledge right in the middle of a transaction without leaving their desk.

The effects of e-Learning on all types of professional and academic training have been dramatic, and all indications point to its influence for years to come. Advancements in the use of technological tools enable learning content to become more dynamic than ever. Learning has shifted from something that is done at a specific time, in a specific place, for a limited number of individuals to a resource that is available virtually anytime, anyplace, to anyone...

Paradise, Andrew. 2008 State of the Industry Report. ASTD Research Department, 2008.

**Four Quadrant Project Finance**

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