

# Building a Financial Model

## For a Manufacturing Project

### Summary

Many professionals build models to assess the impact and feasibility of undertaking new projects.

This course reviews project economic concepts and focuses on the skills required to design and create a financial model to help a company decide whether it should invest in a new project.

Various intermediate Excel tools along with helpful keyboard shortcuts will also be covered throughout the course.



#### Prerequisites

Participants should have a basic working knowledge of Excel and the manufacturing sector prior to taking this course.



#### Timing

This course requires 1 – 2 days, depending on the amount of material to be covered.

### Learning Topics

#### 1. Review Project Economics Concepts

- ✓ Discuss business items that impact a project:
  - Various types of capital expenditures
  - Incremental revenues and costs
  - Fixed and variable costs
  - Efficiency gains or losses at the facility
  - Income taxes
  - Working capital

#### 2. Design and Structure a Financial Model

- ✓ Design a clear and logical financial model
- ✓ Discuss the need for a model to serve as a marketing tool
- ✓ Create clearly defined inputs and assumptions
- ✓ Connect strings of data to create assumptions and footnotes

#### 3. Build Scenarios and Financial Forecasts

- ✓ Use switches to create scenarios and value drivers
- ✓ Forecast the project's revenues and expenses
- ✓ Develop a cash flow projection for the project
- ✓ Incorporate financial and arithmetic functions
- ✓ Use logical functions to create complex formulas

#### 4. Evaluate the Project

- ✓ Incorporate a schedule to evaluate the project's returns
  - Net Present Value ("NPV")
  - Internal Rate of Return ("IRR")
  - Payback and Discounted Payback periods
- ✓ Build a strong summary page to display the results
- ✓ Use various tools to sensitize the project's returns
- ✓ Conditionally format output tables to highlight specified results
- ✓ Set up print ranges to optimize the appearance of printed output