# Introduction to financial modelling

**Training course**

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## Course overview

KPMG UK's Modelling & Analytics team has been at the forefront of financial modelling for almost 20 years, providing bespoke, high quality modelling solutions to a range of clients. The model build approaches and techniques covered in this course mirror those applied by KPMG modelling staff on client engagements.

KPMG's Introduction to Financial Modelling course follows a highly interactive format consisting of instructor-led demonstrations, group discussions and both individual and team-based practical exercises. Participants build up a model from scratch over the two days, which contains integrated financial statements and is dynamic in nature, having the ability to change the timing of events and select from a range of scenarios.

At the end of the two days, participants take away a comprehensive set of materials including instructions and solutions to all of the exercises covered during the course, so that they can be repeated if required. Additional homework can also be provided on request.

## Target audience and prerequisites

The course is suitable for those attempting financial modelling for the first time, looking to refresh their existing modelling skills and/or seeking to learn more robust approaches towards building financial models.

It is assumed that participants will have some working knowledge of financial statements and can easily navigate around Excel's different menu options.

## Course objectives

**The key objectives of the course are to:**

— Improve knowledge of Excel and financial modelling;

— Introduce participants to KPMG's tried-and-tested leading modelling approaches;

— Show techniques for building models that are flexible, user-friendly, robust and transparent in nature;

— Provide detailed information on how to construct integrated financial statements;

— See how key commercial and financial concepts can be translated into Excel;

— Help participants understand the sequence and steps for building a financial model from scratch.

# Detailed course content

**The following areas are covered over the two days:**

## 01 Leading modelling approaches and improving Excel proficiency

— Understanding what is meant by leading modelling approaches and the benefits they bring.

— Practicing the use of a wide range of Excel functions, in both standalone exercises and during construction of the model.

## 02 Model structure and flexibility

— Typical layout and flow of a financial model with time-dependent and time-independent inputs, scenarios, timing flexibility, integrated financial statements and automated checks.

— Using the 'control account' format to capture the calculations in a model and create the links between the model's inputs and outputs.

— Using flags to build timing flexibility into a financial model and switches to turn items on and off.

## 03 Inputs and scenario cases

— Using time-dependent versus time-independent assumptions.

— Different ways of setting up scenarios in a model.

— The importance of formatting and how to create custom formats in Excel.

— Applying range names and data validation to input cells.

## 04 Calculations

— Operations modelling which includes converting real forecasts to nominal and applying adjustments for working capital.

— Different depreciation methodologies including a more streamlined method for calculating straight-line depreciation where multiple assets are acquired across the model timeline.

— Alternative approaches for calculating tax payable, also covering capital allowances and carry forward of losses.

— Modelling injections and associated costs of different sources of funding, alternative debt repayment profiles and lock-ups/restrictions that may be applied to dividend payments.

— Building a checks sheet to help capture model errors and highlight project or business related issues.

## 05 Financial statements, other key outputs and introduction to macros

— Setting up integrated financial statements.

— Introduction to NPV and IRR performance metrics and methods of calculation.

— Creating dashboards in a model.

— Introduction to VBA, recording macros and using data tables for comparing model results under different scenario cases.

## Contact details

**For further information about the course, please contact the following:**

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