Julian's Level 1: AFM Exam Study Notes

This document has been created for the Plum Solutions webinar on March 2, 2021. This resource is intended to illustrate the reference notes that I created as I prepared for the Financial Modeling Institute (FMI) Level 1: Advanced Financial Modeler (AFM) exam. Please note that this document is not an FMI document or resource and has been prepared individually.

I encourage you to develop your own "Study Notes" as you prepare for the Level 1: AFM exam.

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**** Shortcuts that I have trouble remembering****

F12 ……...Save As

Shift + F11 ……New Sheet

Alt + H + O + R ……Rename Sheet

Cltr + PgUp/Down ……Toggle Sheet

Alt + W + V + G ……...Hide Gridlines

Ctrl + R ……Extend Right

Alt + W + N ……New Instance

AFM Exam Playbook
Save Document then Create and name sheets for Cover, Summary, Assumptions, Scenarios. Duplicate Historicals sheet for Model.
Set up Sheets Paste Column widths from model tab to other tabs On Cover include company/client name, project name, date, author and "confidential". Link company name on Model Sheet. On Model Sheet extend schedules by 5 years then delete hardcodes. Format projection years.
Format Sheets for Print • Landscape. Fit Columns • Margins between 0.25" and 0.4" • Centre page horizontally • Custom footer – &[Date] &[Time] / &[Page] of &[Pages] / &[Path]
Creating Assumptions & Scenarios – Titles/other I forget to include • "First Year of Forecast in Financial Model" • "Reduction in timing for EBT differences" • "Interest rate on:" • Calculate days between years for Working Capital

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Revenue Schedule

- Pull in Price and Volume (+other) inputs from scenarios and assumptions
- Build in three sections: Sales Price, Sales Volume, Total Revenue
- Don't be afraid to use thin border to divide sections

Cost Schedule

- Pull in inflation and sales volume (& other)
- Build as Costs per Unit (Variable & Fixed) then Total Costs
- Build a "check" line to make sure math adds between per unit and total

Depreciation Schedule

- Pull in asset lifespan, PP&E beginning balance and CAPEX
- Depreciation on existing assets is a straight depreciation.
- Depreciation on new assets is half in the year that it occurs. Pull in the CAPEX vertically then create the if statement with locked cells
- In the balance sheet, the formula is last year's PP&E minus CAPEX from cash flow statement (negative #) minus Depreciation from Cash Flow statement (positive #)

Income Tax Schedule

- Pull in Tax Rate and EBT from I/S as "Accounting EBT"
- Less the adjustment amount and call it "Government EBT"
- Subtract out accounting taxes and calculate Current and Deferred Taxes – see image below
- Build a "check" line to check math

Working Capital Schedule

- Pull in days per year and Income Statement items (use Net Rev.)
- Calculate account balances
- Calculate Total WC as current assets less current liab., and then Change in WC as past yr – current yr

Shareholder's Equity Schedule

- Pull in Dividend Yield rates
- Start with Pref. Equity balances. Then calculate yield on shares (direct multiplication on ending balance)
- For common shares, the formula on NOI is =Max(0,interest*NOI). No dividend paid if co. has negative earnings.
- Calculate retained earnings. Only NOI to Common is subtracted since Pref shares yield should be removed before NOI on I/S

Debt & Interest Schedule

- Pull in interest rates
- Calculate Senior/Variable term debt: Structure is Beginning Balances then Additions / (Repayment) then Ending Balance. With interest paid on average beg & end balance.

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- Then do Cash. Beg balance, change in cash from Cash Flow, Ending. Then interest rate earned on average of beg & end
- Do Equity Statement before Revolver
- For Revolver
  - Pull in Operating Cash Flow and Investing Cash Flow
  - Then subtract mandatory debt repayments, total line is "FCF after Mandatory Debt Repayments"
- Change in Revolver formula is =-MIN(FCF after mandatory debt repayments + Beg Cash Bal, Beg Revolver Bal)

Income Tax Schedule

CURRENTLY RUNNING: BASE CASE SCENARIO

Henderson Manufacturing
Income Tax Schedule

($ Millions)

Tax Rate 35.0%		Projected 2018	2019	2020	2021	2022
Accounting EBT (as is on I/S)	**A**	**$46.5**	**$20.5**	**$60.8**	**$52.1**	**$30.6**
Less: Reduction in EBT for timing differences [1]		5.0	5.0	5.0	5.0	5.0
Government EBT	**B**	**$41.5**	**$15.5**	**$55.8**	**$47.1**	**$25.6**
Accounting Taxes (35% of A)		16.3	7.2	21.3	18.2	10.7
Taxes as Appearing on Income Statement						
Current Tax (35% of B)		14.5	5.4	19.5	16.5	9.0
Increase (Decrease) in Deferred Income Taxes		1.8	1.8	1.8	1.8	1.8
Total Income Taxes (Same as Accounting Taxes Above)		**16.3**	**7.2**	**21.3**	**18.2**	**10.7**

(1) Assumes aggregate reduction in government pre-tax earnings due to timing differences between accounting and government rules.

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