



## LEVEL I: ADVANCED FINANCIAL MODELER (AFM) SKILLS CHECKLIST

Candidates should have an understanding of the following Microsoft Excel, accounting and financial modeling skills for the Advanced Financial Modeler exam.

### Section 1: Microsoft Excel Foundations

#### 1.1 Logical Functions

- Math and rounding functions
- IF function
- AND function
- OR function

#### 1.2 Lookup and Reference Functions

- CHOOSE function
- VLOOKUP function
- HLOOKUP function
- OFFSET function
- INDEX function
- MATCH function

#### 1.3 Working with Text and Dates

- Working with dates and using date functions
- CONCATENATE function
- TEXT function

#### 1.4 Sensitivity Analysis

- Running sensitivity analysis with drop-down menus or Data Validation tools

#### 1.5 Circular references

- Understanding model circularity and why some professionals use it and others don't
- Locating and managing circular references
- Eliminating non-intentional circular references
- Formula error checking

#### 1.6 Printing and Formatting

- Creating dynamic headings and footnotes in a model
- Setting print area and print titles

### Section 2: Accounting Foundations

#### 2.1 Accounting Fundamentals

- Structuring of the financial statements
- Income statement
- Cash flow statement
- Balance sheet
- Key links between the financial statements
- Business transactions reflected in the financial statements

### Section 3: Financial Modeling Foundations

#### 3.1 Financial Modeling Fundamentals

- Using keyboard shortcuts
- Working with key modeling formulas and structures
- Identifying relevant information in the company's financial statements, management discussion & analysis and notes
- Developing reasonable assumptions
- Creating the ability to run different scenarios
- Incorporating good modeling standards
- Building models with different styles and layouts
- Clean model design, easy to follow electronically or if printed

#### 3.2 Operating and Financial Schedules

- Building a detailed revenue forecast based on price per unit and number of units sold
- Ensuring business is not operating at greater than capacity
- Analysing and making reasonable projections for operating costs including fixed and variable costs
- Fixed assets schedule – includes capital expenditure and depreciation
- Intangible assets
- Working capital schedule
- Income tax schedule showing the difference between accounting and taxable income which gives rise to deferred tax items

#### 3.3 Capital Structure Modeling

- Modeling a detailed debt schedule
- Incorporate different types of debt including senior secured term debt and a revolving credit facility
- Include a cash sweep on certain types of debt
- Calculating interest on cash and debt balances
- Modeling Common Stock, Additional Paid-in Capital and Preferred Stock accounts
- Incorporating dividends, share issues and repurchases
- Understanding differences between authorized, issued, and outstanding shares
- Calculating coverage and leverage ratios

#### 3.4 Three Statement Modeling

- Building 3-statement projections
- Constructing the income statement, cash flow statement and balance sheet

#### 3.5 Integrity and Error Checking

- Troubleshooting techniques for finding errors
- Finding unidentified hard codes quickly and easily
- Using Excel to show the formulas underlying output
- Using Excel to find inconsistencies in the model
- Using Excel's auditing tool to trace formulas
- Using Excel tools to help with integrity checking
- Performing audit trails