

Best Practices in Financial Modelling

Sample model development exercise – Apple Inc.

Objectives



- Development of a 3-statement forecast financial model along with a discounted cash flow calculation of the equity value per share of Apple Inc.
- Ensure the model is dynamic and can be quickly updated for different revenue, expense, cash flow and valuation assumptions
- Use the Apple Inc. 10-K filing for reference with respect to opening financial position
- Build in line with best practices in financial modelling



Steps in building a model

1. Set up your file and sheets (i.e. the structure of the model)
2. Build your timelines keeping columns consistent across different sheets
3. Set up your outputs templates (e.g. DCF, financial statements) – these are the values you want to solve for in the model
4. Build your calculations for each item on your outputs page, taking care to keep calculations simple and recording any inputs or assumptions in a separate part of the model from where they can easily be updated
5. Link your model through from the inputs to the calculations to the outputs
6. Build error checks throughout your model to identify any potential mistakes
7. If appropriate, build a dashboard that summarizes the key outputs of the model using charts and graphs and layer on sensitivity analysis (e.g. data tables) to add a greater level of depth to your model
8. Complete a user guide / information sheet providing the model user sufficient information to operate the model in the future; you may want to summarize key assumptions here as well as data sources

Thank you