Case Study

Creating A Financial Forecasting Model

Background

A multi-national company had problems with the accuracy of the financial forecast for a particular business line. The repeated misses in profitability were a distraction for the senior management.

What Was Done

- Revenue and cost elements which had previously been calculated separately were now performed in the same way
- New sources of information were found that were more robust
- Increased the amount of recent actual performance data being used in the calculation of the forecast

How It Was Done

- An Excel model allowing consistent calculation of revenue and material costs from the same volume forecast data was built
- Month-by-month forecasting in lieu of quarterly update
- Created several forecasting methods so that the team could assess different products appropriately
- Automated some of the process with macros, pivot tables and an Access database

The End Result

Forecast accuracy was substantially improved, team size reduced Increased detail was available to senior managers