

# STRATEGIC FINANCE PERFORMANCE BLUEPRINT



IMPLEMENTATION GUIDE

A WEB-BASED APPLICATION FOR  
PERFORMANCE MANAGEMENT

## OVERVIEW

The goals of strategic planning include maximizing shareholder value, achieving growth, and meeting other financial objectives defined by the board of directors. Strategic planning is usually the start- and end-point for the planning process within the entire organization; as such, defining and articulating such goals requires a logical and consistent approach. The Cognos *Strategic Finance Performance Blueprint* provides a complete performance management framework that enables users to clearly identify and measure organizational objectives.

While strategic planning is typically performed by a small group or even an individual, outcomes have major significance to the entire organization and its stakeholders. Performance management systems help express strategic goals and provide a measurement process, so that the goals can be tracked to ensure that long-term objectives will be met. This Implementation Guide demonstrates a Web-based process for defining long-term objectives, analyzing scenarios, and determining how goals can be met.

The models and processes described in this document are generic for most North American companies, but can be configured to support alternative model requirements and to accommodate planning in any country.



## BLUEPRINT OBJECTIVES

Determining how best to develop a strategic plan requires a reasonable standard approach. Typically, this process is performed in the “back office” using spreadsheets that may change from year to year. The major objective of this *Blueprint* is to allow users to evaluate their success in meeting goals over a number of years with a reliable, consistent modeling tool. The *Strategic Finance Blueprint* meets this objective and:

- Evaluates the impact of multiple strategies.
- Allows for comparison and analysis of *what-if* growth scenarios.
- Provides a means of evaluating internal or external growth opportunities.
- Provides for merger and acquisition planning.
- Provides an assessment of the current portfolio—allowing for analysis and impact of divestitures.
- Includes tax and credit rating impacts.
- Includes a full set of consolidated financial statements with distinct views for base growth, acquisitions, and divestitures.

This *Blueprint* provides a methodology for long-range strategic planning over a ten-year period. It is assumed that this type of application will typically be used by a small group of strategic planners, among whom company-wide decisions are made. Other contributors may include legal entities or divisions. The key premise is that cash is generated (or used) by the core operations, and strategic decisions regarding investment and divestiture strategies are largely driven by the cash position of the core.

This *Blueprint* contains four tabs for merger and acquisition planning. These tabs, along with the Cash Management and Divestiture tabs represent the key areas for the corporate strategic planning decision maker. In addition to providing a full set of financials for these acquisition scenarios, the *Blueprint* provides additional *what-if* scenarios for comparison. The resulting process will give the planners insight into various key economic indicators and shareholder results.

Along with benefits specific to the *Strategic Planning Blueprint*, Cognos 8 Planning provides significant benefits to an organization through its inherent capabilities:

- Flexible model development to support a wide variety of planning models.
- Web- or Excel-based deployment of models for data collection and consolidation.
- Easy version control.
- Real-time workflow to drive collaboration.
- Real-time consolidation.
- Real-time reporting.
- Real-time calculations in the browser for immediate results.

- Audit and user text annotations at the cell, worksheet, and model level to help drive collaboration.
- Drop-down validation lists to ensure data consistency.
- Scalable architecture with proven deployments to thousands of users.
- Linking functionality to provide divergent, yet interrelated components of the planning environment.
- Off-line capabilities.
- Custom date capabilities with no limit on the time dimension, allowing planning by week, season, period, quarter or year.
- Unique multi-directional calculation engine that allows input across any dimension at the detail level or the total level.

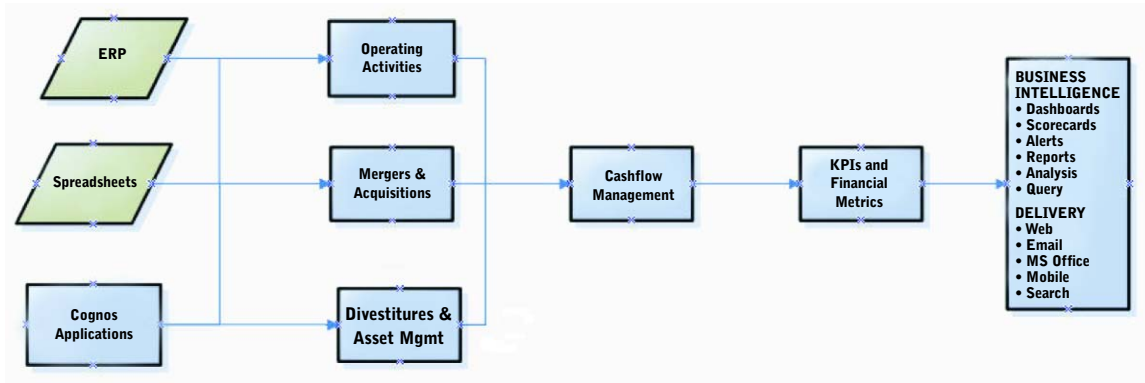
### REAL-TIME WORKFLOW VISIBILITY

As noted above, it is expected that *Blueprint* users or contributors would comprise a rather small group. This is reflected by the *Blueprint*'s hierarchy. Our example includes a corporate strategic planner and legal entities. For purposes of this *Blueprint* the corporate planner has input to internal and external investment responsibility extending to mergers and acquisitions, while the legal entity contributors have responsibility for managing the cash and investments for their respective organizational segments. Their views are limited to planning for items such as capital improvements and divestitures. Thus they will not have tabs for merger and acquisition planning. However, it is expected that companies provide varying levels of responsibility for business units and therefore *Blueprint* views can and should be modified to accommodate those specific needs. Since all workflow status changes, data consolidations, and aggregations occur in real time; as the information is saved, the total company outcome is immediately available.



## MODEL DESIGN OVERVIEW

### Strategic Finance Blueprint Overview



This flowchart represents a high level overview of the Strategic Planning Process.

## REPRESENTATIVE WORKFLOW

The following sections of this implementation guide describe the process in which a strategic planner might use this planning tool.

## STRATEGIC FINANCE PORTAL

Logging into the Strategic Finance Portal offers users a number of key metrics with indicators showing performance against target. Users may select from various *what-if* scenarios for comparison.

In the upper left, we can see a graph showing the Income Statement outcomes for various scenarios: *Best Case*, *Most Likely*, and *Worst Case*. This graphic is invaluable when making the type of *what-if* decisions required in most organizations. By selecting the scenario the user can also drill down further to the Income Statement report.

The top-right graphic lets the user view the incremental impact of Acquisitions and Divestitures for the Income Statement. This is demonstrated in the form of a *waterfall chart*.



The *pie graph* in the lower left shows the split between Debt and Equity in a pre- and post-acquisition situation for any selected year and scenario.

The *bar chart* in the lower right allows the user to see Revenues by Product Line for the indicated scenarios. This is critical in planning product line divestitures and, of course, planning for new products.

Users may also want to open the KPI portal page to view more detailed information on the key metrics.

Cognos Viewer - Key Metrics			
Administrator <a href="#">Log Off</a>			
Best Case <span>▼</span>			
	KPI	Post-Acq	Target
✓	ECONOMIC VALUE ADDED \$	7,370,058	6,500,000
✗	EVA %	46	70
—	EVA \$ NPV	53,197,799	55,000,000
✓	RETURN ON ASSETS	68	1
✗	RETURN ON EQUITY	0	0
✓	ROCE	52	48
✗	ROIC	51	60
✓	EPS	17	9
✓	EARNINGS PER EMPLOYEE	9,296	5,000
✓	ACCOUNTS RECEIVABLE RATIO	40	40
✓	INVENTORY RATIO	22	20
✓	INVENTORY (TL/TTA)	151	75
✓	GEARING (D/TTA)	151	30
✓	DEBT RATIO	1	1
✗	COVERAGE RATIO		1

The user may want to see the detail numbers behind these graphs and charts. These are available in the form of reports for the Income Statement, Balance Sheet and Cash Flow. This may include closer examination of Financial statements.

Income Statement Best Case Scenario						
Best Case	Level 0 Scenario - 7	Current Yr	Next Yr	CY + 2	CY + 3	CY + 4
Revenue		70,859,551	72,554,251	65,667,832	68,281,059	68,712,308
Cost of Goods Sold		14,214,318	14,655,224	15,301,739	15,901,920	15,993,683
<b>GROSS PROFIT</b>		<b>56,645,233</b>	<b>57,899,028</b>	<b>50,366,093</b>	<b>52,379,139</b>	<b>52,718,625</b>
Other Revenue		7,105	15,085	25,340	37,904	52,344
<b>Total Operating Expense</b>		<b>23,381,393</b>	<b>23,386,359</b>	<b>23,606,088</b>	<b>23,662,399</b>	<b>23,688,623</b>
Interest Expense		0	0	0	0	0
Profit before Tax		33,270,944	34,527,754	26,785,345	28,754,644	29,082,346
Extraordinary Items		0	0	0	0	0
Income from Foreign Subs		0	0	0	0	0
Interest ST Investment		0	0	0	0	0
<b>NET INCOME</b>		<b>33,270,944</b>	<b>34,527,754</b>	<b>26,785,345</b>	<b>28,754,644</b>	<b>29,082,346</b>
Income Tax Expense Current Year		9,801,970	10,181,478	7,809,018	8,357,242	8,422,338
<b>Total Deferred Tax Assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Deferred Tax Liabilities</b>		<b>17,940,000</b>	<b>16,640,000</b>	<b>16,640,000</b>	<b>16,640,000</b>	<b>16,640,000</b>
<b>NET INCOME AFTER TAX</b>		<b>5,528,974</b>	<b>7,706,275</b>	<b>2,336,327</b>	<b>3,757,402</b>	<b>4,020,008</b>

Balance Sheet Best Case Scenario						
Best Case	Current Yr	Next Yr	CY + 2	CY + 3	CY + 4	CY + 5
<b>CURRENT ASSETS</b>						
Cash	3,725,320	20,621,711	34,831,229	48,203,403	61,220,128	74,625,128
Receivables	6,654,077	3,510,717	3,786,493	3,893,979	3,798,564	3,852,128
Inventories	4,060,044	2,119,538	2,191,398	2,249,207	2,258,180	2,279,128
<b>TOTAL CURRENT ASSETS</b>	<b>14,439,441</b>	<b>26,251,966</b>	<b>40,809,120</b>	<b>54,346,588</b>	<b>67,276,872</b>	<b>80,756,484</b>
<b>NON CURRENT ASSETS</b>						
Property, Plant & Equipment-cost	9,900,000	7,960,000	8,955,000	8,955,000	8,955,000	8,955,000
Accumulated depreciation	1,000,000	800,000	900,000	900,000	900,000	900,000
Property, plant and equipment - net	8,900,000	7,160,000	8,055,000	8,055,000	8,055,000	8,055,000
Deferred Tax Assets	0	0	0	0	0	0
Investment other Companies	36,000,000	23,000,000	20,500,000	20,500,000	20,500,000	20,500,000
Goodwill	0	0	0	0	0	0
Other Non Current Financial Assets	0	0	0	0	0	0
Other Non Current Assets	779	1,259	1,953	2,765	3,659	4,553
<b>TOTAL NON CURRENT ASSETS</b>	<b>44,900,779</b>	<b>30,161,259</b>	<b>28,556,953</b>	<b>28,557,765</b>	<b>28,558,659</b>	<b>28,559,553</b>
<b>TOTAL ASSETS</b>	<b>59,340,219</b>	<b>56,413,225</b>	<b>69,366,073</b>	<b>82,904,354</b>	<b>95,835,532</b>	<b>109,317,037</b>
<b>CURRENT LIABILITIES</b>						

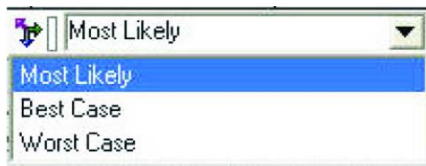
Based on the above analysis, users can then open the Strategic Finance Planning application to update the Strategic Plan in Cognos 8 Planning. It is important to note the following key lists in this *Blueprint*.



KEY LISTS

Scenario – Plan

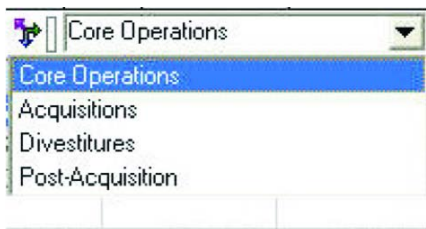
This list is used for *what-if* comparisons. Users can customize this list to define their own scenarios or versions.



Scenario – Acquisition

This list is used in most tabs including the key **Financial Statements** and other tabs. Core Operations represents the base organization. Note the calculation below.

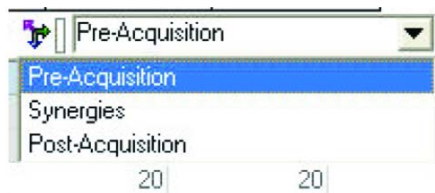
Post Acquisition = Core Operations + Acquisitions - Divestitures



Scenario – Synergies

The data for Core Operations and Synergies is input, while Post-Acquisition is calculated. This list is used in the M&A tabs. Positive synergies are input as a negative for cost savings, like a reduction in headcount.

Post Acquisition = Core Operations + Acquisitions



We will proceed through the *Blueprint* as the “Corporate” contributor. This node encompasses all of the tabs available to the planner. In our representation, the legal entities have *read/write* privileges to only those tabs required for internal strategic decisions.

**Cognos Planning - Contributor**  
Administrator

Welcome - Cognos Planning  
Driving effective performance planning.

You are a contributor for:

Name	State	Ownership	Reviewer	Last Data Change
Corporate	Work In Progress	Administrator		9:08:27 PM - Wednesday, October 03, 2007

**User Instructions**

**Strat Plan Version 2 input is due Friday at 5pm sharp!**  
Please ensure that KPI figures are within the Target range or variances have been annotated.

[Plan Instructions and Overview](#)  
If you have any questions, please contact either:-  
David [email](#) at x1234 of  
Rita [email](#) at x4567

**Plan Timetable - 2007/08:**  
Version 1 Available on Mar 1  
Version 1 Input Due on Mar 15  
Version 2 Available on Mar 20  
Version 2 Input Due on Mar 30  
Final Review Available Apr 15

## INCOME STATEMENT

Upon opening the planning application, the first tab seen is the **Income Statement**. The only input required in this tab is for Core Operations items including “Other Revenue”, “Extraordinary Items,” and “Income from Foreign Subs.” Other data is linked from other tabs. The **Operating Revenue** and **Operating Expense** tabs are the main feeds for Core Operations, while the data for the Acquisition and Divestitures items come from the four M&A tabs and the Divestitures tabs.

**Strategic\_Finance\_BP | Contributions | Corporate - Cognos Planning - Contributor**

File Edit View Tools Actions Help

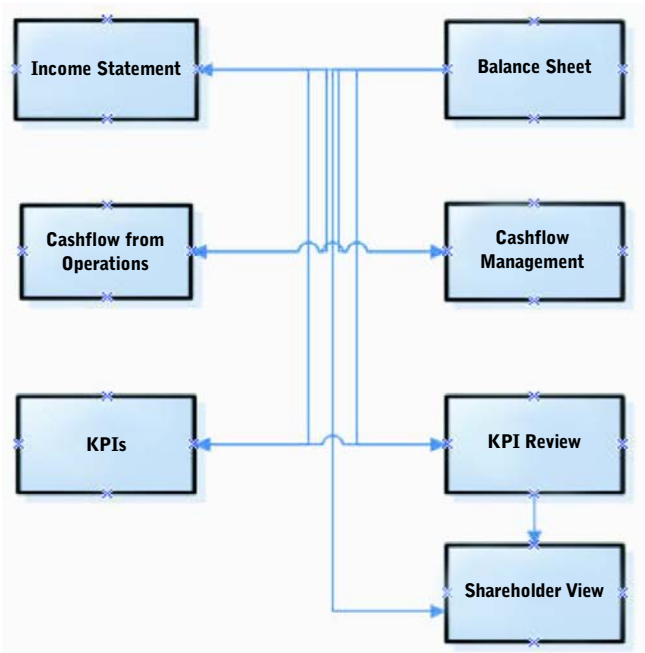
Income Statement Shareholder View KPIs KPI Review Credit Rating Operating Revenue Operating Expenses Taxation

Corporate Core Operations Most Likely

	Cur	Core Operations		CY+3	CY+4	CY+5	CY+6
Revenue	26	Acquisitions	4	29,862,590	29,997,425	30,349,372	30,840,896
Cost of Goods Sold	6	Divestitures	9	7,405,290	7,442,294	7,532,827	7,658,049
<b>GROSS PROFIT</b>	20,0	Post-Acquisition	5	22,457,300	22,555,132	22,816,545	23,182,847
Other Revenue							
Total Operating Expense	12,177,960	12,186,745	12,296,799	12,325,482	12,338,995	12,243,538	11,986,804
Interest Expense	21,000	21,000	21,000	21,000	21,000	21,000	18,600
<b>Profit before Tax</b>	7,871,974	8,449,128	9,309,996	10,110,819	10,195,136	10,552,007	11,177,443
Extraordinary Items	100,000						
Income from Foreign Subs							
<b>NET INCOME</b>	7,971,974	8,449,128	9,309,996	10,110,819	10,195,136	10,552,007	11,177,443
<b>Income Tax Expense</b>	2,391,592	2,534,738	2,792,999	3,033,246	3,058,541	3,165,602	3,353,233
<b>NET INCOME AFTER TAX</b>	5,580,382	5,914,389	6,516,997	7,077,573	7,136,595	7,386,405	7,824,210

The following tabs do not require any input. They do, however provide the key metrics and measures that are critical to the Strategic Planning process. These tabs are also used in generating much of the Business Intelligence for this *Blueprint*. The following flowchart represents the workflow for these tabs.

#### KPI Overview



#### SHAREHOLDER VIEW

This tab highlights key data for Shareholders. There is no input required. It communicates the anticipated future growth plans of the company and of course the potential impact this will have on the market share price.

Income Statement	Shareholder View	KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation			
Corporate		Most Likely		Core Operations						
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9
Net Income	1,504,642	2,516,649	3,137,257	3,715,833	3,792,855	4,055,665	4,493,470	4,491,524	4,662,140	4,516,649
Avg number shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000
Book Value per Share	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Book Value Shares	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000
Dividend payout ratio			20.21%							
EPS	\$2.373	\$3.969	\$4.948	\$5.861	\$5.982	\$6.397	\$7.087	\$7.084	\$7.354	\$7.354
P/E	4.000	4.020	4.052	3.950	4.015	4.015	4.015	4.015	4.015	4.015
P/E Growth		0.50%	0.80%	(2.52%)	1.65%					
Share Price	\$9.49	\$15.98	\$20.09	\$23.00	\$24.12	\$25.68	\$28.46	\$28.44	\$29.52	\$29.52
Net Yield			4.98%							
Gross Yield			0.66%							
Yield Factor	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500

Share Price Indicators and Calculated Share Price

Current owner: Administrator

## KPIs

This tab, like **Shareholder View** above, does not require any input. The key metrics in this tab may be viewed at summary and detail levels. The detail view contains the source items and input used to generate these KPIs. It is anticipated that users may modify this list, and possibly the calculations to their requirements. Note also that each of the metrics contain a description which can be seen when positioning the mouse on the red annotation next to the KPI.

Income Statement	Shareholder View	KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation
Corporate	Summary View	Core Operations	Most Likely				
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
<b>OPERATIONAL METRICS</b>							
- Economic Value Added \$	\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
<b>ECONOMIC VALUE ADDED</b>	\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
<b>DUPONT ANALYSIS</b>							
<b>COVENANTS</b>							
- EVA %	33.01 %	37.59 %	35.45 %	30.75 %	24.52 %	21.23 %	19.44 %
- EVA Cumulative	\$ 1,460,403	\$ 3,911,842	\$ 6,963,028	\$ 10,561,824	\$ 14,206,036	\$ 18,079,260	\$ 22,352,843
- EVA \$ NPV	28,810,554	28,909,642	27,607,497	25,342,145	22,484,801	19,504,107	16,195,299
- Total Asset Turnover (TAT)	2.763	3.011	3.079	3.138	3.141	3.162	3.181
- Return on Investments (ROI)	0.156	0.275	0.336	0.390	0.397	0.423	0.463
- Equity Multiplier (EM)	1.822	1.168	0.904	0.678	0.535	0.438	0.367
- Return on Equity (ROE)	0.283	0.322	0.304	0.265	0.213	0.185	0.170
- Return on Assets	(0.621)	(0.450)	(0.354)	(0.340)	(0.295)	(0.280)	(0.289)
- Return on Equity	0.283	0.322	0.304	0.265	0.213	0.185	0.170
	(- Profit Margin (PM)) * (- Asset Turnover Ratio)						
ROCE	11.54%	11.85%	10.63%	9.53%	7.82%	6.96%	6.58%
ROIC	28.34%	32.16%	30.37%	26.46%	21.26%	18.53%	17.03%
EPS	1,504.642	2,516.649	3,137.257	3,715.833	3,792.855	4,055.665	4,493.470
Earnings per Employee	45.0	45.0	45.0	45.0	45.0	45.0	45.0
ACCOUNTS RECEIVABLE RATIO	22.9%	24.8%	24.8%	25.0%	25.3%	25.4%	25.5%
INVENTORY RATIO	272.73	289.07	318.55	345.98	348.87	361.09	416.76
- Coverage Ratio							

Key Performance Indicators and their Related input measures.

Current owner: Administrator

Income Statement	Shareholder View	KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation
Corporate	Detail View	Core Operations	Most Likely				
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
- Cost of Capital	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %
- Wtd Avg Cost of Capital	4.07 %	3.68 %	3.50 %	3.60 %	3.68 %	3.76 %	3.84 %
- Target Profit	44,239	65,211	86,071	117,037	148,644	182,441	216,238
- Economic Value Added \$	\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
<b>ECONOMIC VALUE ADDED</b>	\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
<b>DUPONT ANALYSIS</b>							
<b>COVENANTS</b>							
- EVA %	33.01 %	37.59 %	35.45 %	30.75 %	24.52 %	21.23 %	19.44 %
- EVA Cumulative	\$ 1,460,403	\$ 3,911,842	\$ 6,963,028	\$ 10,561,824	\$ 14,206,036	\$ 18,079,260	\$ 22,352,843
- EVA \$ NPV	28,810,554	28,909,642	27,607,497	25,342,145	22,484,801	19,504,107	16,195,299
- Revenue	26,723,554	27,515,700	28,761,414	29,862,590	29,937,425	30,349,372	30,761,319
- Net Income	1,504,642	2,516,649	3,137,257	3,715,833	3,792,855	4,055,665	4,493,470
- Profit Margin (PM)	0.056	0.091	0.109	0.124	0.126	0.134	0.142
- Total Asset Turnover (TAT)	2.763	3.011	3.079	3.138	3.141	3.162	3.181
- Return on Investments (ROI)	0.156	0.275	0.336	0.390	0.397	0.423	0.463
- Equity Multiplier (EM)	1.822	1.168	0.904	0.678	0.535	0.438	0.367
- Return on Equity (ROE)	0.283	0.322	0.304	0.265	0.213	0.185	0.170
- Asset Turnover Ratio	(11.032)	(4.920)	(3.249)	(2.735)	(2.336)	(2.098)	(1.861)
- Equity Multiplier	(0.456)	(0.715)	(0.857)	(0.778)	(0.720)	(0.661)	(0.602)
- Return on Assets	(0.621)	(0.450)	(0.354)	(0.340)	(0.295)	(0.280)	(0.289)
- Return on Equity	0.283	0.322	0.304	0.265	0.213	0.185	0.170
ROCE	11.54%	11.85%	10.63%	9.53%	7.82%	6.96%	6.58%
ROIC	28.34%	32.16%	30.37%	26.46%	21.26%	18.53%	17.03%
EPS	1,504.642	2,516.649	3,137.257	3,715.833	3,792.855	4,055.665	4,493.470
- Share Price	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
- EPS	2.37	3.97	4.95	5.86	5.98	6.40	6.93
- No of Shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000
Earnings per Employee	1,504.642	2,516.649	3,137.257	3,715.833	3,792.855	4,055.665	4,493.470
- No of Employees	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ACCOUNTS RECEIVABLE RATIO	45.0	45.0	45.0	45.0	45.0	45.0	45.0

Key Performance Indicators and their Related input measures.

Current owner: Administrator



## KPI REVIEW

Data in this tab is linked from the **KPIs** tab. Note however that this tab does require additional input. The user should input *Target Values*, *Target Minimums* and *Industry Averages* for the defined KPIs. Based on the standards provided, target ratings are calculated for each KPI.

The ratings include:

- Excellent
- OK
- Bad

The calculation for the Target Rating is a conditional statement:

IF {Post-Acquisition} >= {Target Value} THEN "Excellent"

IF {Post-Acquisition} >= {Target Min} THEN "OK"

IF {Post-Acquisition} < {Target Min} THEN "Bad"

The calculation for the Industry Rating is:

IF {Post-Acquisition} >= {Industry Avg} THEN "Excellent"

IF {Post-Acquisition} < {Industry Avg} AND {Post-Acquisition} > {Target Min} THEN "OK"

IF {Post-Acquisition} < {Industry Avg} THEN "Bad"

Income Statement

Shareholder View

KPIs

KPI Review

Credit Rating

Operating Revenue

Operating Expenses

Taxation

Balance Sheet

Corporate

Most Likely

Current Yr

	Core Operations	Post-Acquisition	Variance	Movement	Target Value	Target Min	Target Rating	Industry Avg	Industry Rating
ECONOMIC VALUE ADDED							Excellent		
- Economic Value Added \$	\$ 1,460,403	\$ 3,684,289	\$ 2,223,886	+	\$ 3,500,000	\$ 3,250,000	Excellent	\$ 4,000,000	Ok
- EVA %	33.01 %	33.01 %			35.00 %	25.00 %	Ok	35.00 %	Ok
- EVA Cumulative	\$ 1,460,403	\$ 3,684,289	\$ 2,223,886	+	\$ 3,500,000	\$ 3,250,000	Excellent	\$ 6,250,000	Ok
- EVA \$ NPV	28,810,554	30,223,988	1,413,435	+	30,000,000	25,000,000	Excellent	40,000,000	Ok
DUPONT ANALYSIS									
- Return on Assets	(0.621)	(0.756)	(0.135)	--	0.500	0.400	Bad	1.200	Bad
- Return on Equity	0.283	0.149	(0.135)	--	0.250	0.200	Bad	0.650	Bad
ROCE	11.54%	25.01%	13.48%	+	25.00%	20.00%	Excellent	25.00%	Excellent
ROIC	28.34%	28.34%			25.00%	20.00%	Excellent	30.00%	Ok
- EPS	\$2.373	\$9.077	\$6.704	+	\$9.000	\$7.000	Excellent		
Earnings per Employee	1,504.642	3,713.528	2,208.886	+	5,000.000	2,000.000	Ok	5,000.000	Ok
ACCOUNTS RECEIVABLE RATIO	45.0	45.0			50.0	40.0	Ok	45.0	Excellent
INVENTORY RATIO	22.9%	22.9%			25.0%	22.0%	Ok	25.0%	Ok
COVENANTS									
- Inventory (TL/TTA)	79.9%	163.0%	83.1%	+	75.0%	60.0%	Excellent	75.0%	Excellent
- Gearing (D/TTA)	79.9%	163.0%	83.1%	+	30.0%	25.0%	Excellent	35.0%	Excellent
- Debt Ratio	0.59	1.59	1.00	+	1.00	0.95	Excellent	0.85	Excellent
- Coverage Ratio	272.73	12.90	(259.83)	--	6.00	5.00	Excellent	10.00	Excellent

KPIs Measured against your Targets and Industry Benchmarks

Current owner: Administrator

KPIs Measured against your Targets and Industry Benchmarks

Current owner: Administrator

## CREDIT RATING

This tab does require input of Credit Bands in order to calculate Credit Ratings. It is assumed this information is available by Industry via various Credit Service Bureaus such as Moody's.

Strategic_Finance_BP   Contributions   Corporate - Cognos Planning - Contributor												
File Edit View Tools Actions Help												
Income Statement Shareholder View KPIs KPI Review <b>Credit Rating</b> Operating Revenue Operating Expenses Taxation												
Corporate Most Likely												
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9	10yr Total	
Coverage Ratio	5.12	5.27	5.52	5.73	5.76	5.83	5.93	5.94	6.00	5.98		
Pre-Acquisition Rating	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+		
Post-Acquisition Rating	A	A	A	A	A	A	A	A	A	A		
Band 1 Lower Limit	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	
Band 1 Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA		
Band 2 Lower Limit	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	
Band 2 Rating	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+		
Band 3 Lower Limit	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	
Band 3 Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-		
Band 4 Lower Limit	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	
Band 4 Rating	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA		
Band 5 Lower Limit	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	
Band 5 Rating	A+	A+	A+	A+	A+	A+	A+	A+	A+	A+		
Band 6 Lower Limit	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	
Band 6 Rating	A-	A-	A-	A-	A-	A-	A-	A-	A-	A-		
Band 7 Lower Limit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
Band 7 Rating	A	A	A	A	A	A	A	A	A	A		

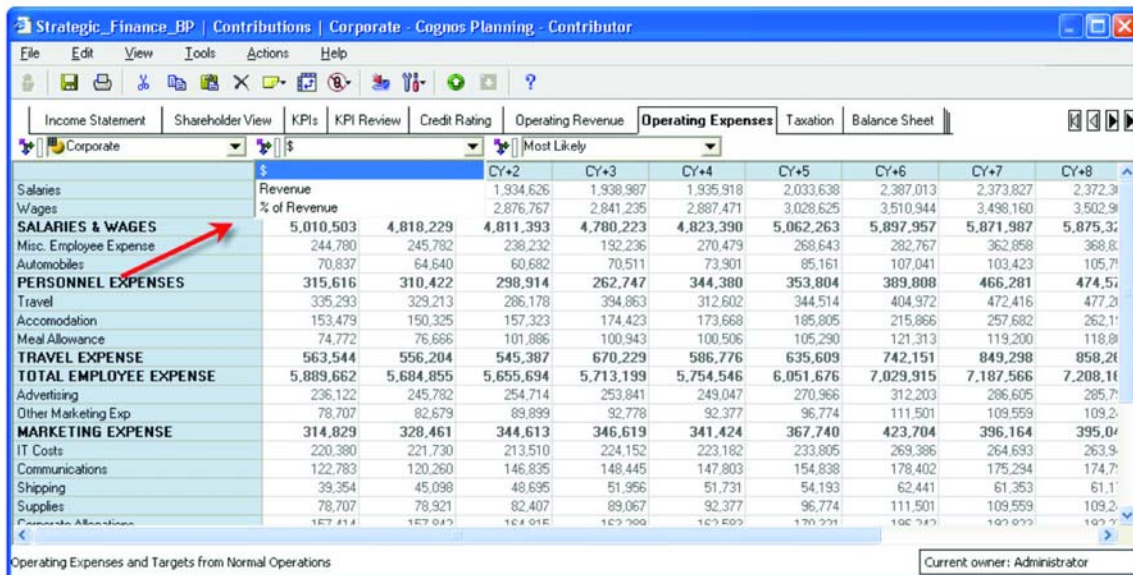
## OPERATING REVENUE

This data contained here may be linked from an existing application (such as the *Sales Planning Blueprint*) or input manually. Input required includes Volume, Rate, and COGS rate. The *Blueprint* includes a very simple Product Line list (3 items). Margins and growth rates are also calculated. The data in this tab is linked to the **Income Statement**.

Strategic_Finance_BP   Contributions   Corporate - Cognos Planning - Contributor										
File Edit View Tools Actions Help										
Income Statement Shareholder View KPIs KPI Review Credit Rating <b>Operating Revenue</b> Operating Expenses Taxation Balance Sheet										
Corporate PROD LINE 1 Most Likely										
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	
Volume	26,093.6	30,948,978	30,821,784	30,886,616	31,115,682	31,836,383	31,439,374			
Rate	440	440	440	440	440	440	440	440	440	
Revenue	11,476.8	13,617,550	13,561,585	13,590,111	13,690,900	14,008,009	13,833,325			
COGS Rate	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Cost of Goods Sold	2,608,364.7	2,636,795.9	2,953,937.2	3,094,897.8	3,082,178.4	3,088,661.6	3,111,568.2	3,183,638.3	3,143,937.4	
Margin \$	8,868,440.0	8,965,105.9	10,043,386.4	10,522,652.6	10,479,406.6	10,501,449.6	10,579,331.9	10,824,370.4	10,689,387.3	
Margin %	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	
Multipliers										
Volume Growth %		1.1%	12.0%	4.8%	(0.4%)	0.2%	0.7%	2.3%	(1.2%)	
Revenue Growth %		1.1%	12.0%	4.8%	(0.4%)	0.2%	0.7%	2.3%	(1.2%)	

## OPERATING EXPENSE

This data in this tab may also be linked from an existing application (such as the *Expense Planning & Control Blueprint*) or it may be input manually. It contains typical expense items and can easily be modified to meet user needs. The items here can also be viewed as a percent of Revenue. This data is also linked to the Income Statement.



Strategic\_Finance\_BP | Contributions | Corporate - Cognos Planning - Contributor

File Edit View Tools Actions Help

Income Statement Shareholder View KPIs KPI Review Credit Rating Operating Revenue **Operating Expenses** Taxation Balance Sheet

Corporate \$ Most Likely

		CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Salaries	Revenue	1,934,626	1,938,987	1,935,918	2,033,638	2,387,013	2,373,827	2,372,374
Wages	% of Revenue	2,876,767	2,841,235	2,887,471	3,028,625	3,510,944	3,438,160	3,502,918
<b>SALARIES &amp; WAGES</b>		<b>5,010,503</b>	<b>4,818,229</b>	<b>4,811,393</b>	<b>4,780,223</b>	<b>4,823,390</b>	<b>5,062,263</b>	<b>5,897,957</b>
Misc. Employee Expense		244,780	245,782	238,232	192,236	270,479	268,643	282,767
Automobiles		70,837	64,640	60,682	70,511	73,901	85,161	107,041
<b>PERSONNEL EXPENSES</b>		<b>315,616</b>	<b>310,422</b>	<b>298,914</b>	<b>262,747</b>	<b>344,380</b>	<b>353,804</b>	<b>389,808</b>
Travel		335,293	329,213	286,178	394,863	312,602	344,514	404,972
Accommodation		153,479	150,325	157,323	174,423	173,668	185,805	215,866
Meal Allowance		74,772	76,666	101,886	100,943	100,506	105,290	121,313
<b>TRAVEL EXPENSE</b>		<b>563,544</b>	<b>556,204</b>	<b>545,387</b>	<b>670,229</b>	<b>586,776</b>	<b>635,609</b>	<b>742,151</b>
<b>TOTAL EMPLOYEE EXPENSE</b>		<b>5,889,662</b>	<b>5,684,855</b>	<b>5,655,694</b>	<b>5,713,199</b>	<b>5,754,546</b>	<b>6,051,676</b>	<b>7,029,915</b>
Advertising		236,122	245,782	254,714	253,841	249,047	270,966	312,203
Other Marketing Exp		78,707	82,679	89,899	92,778	92,377	96,774	111,501
<b>MARKETING EXPENSE</b>		<b>314,829</b>	<b>328,461</b>	<b>344,613</b>	<b>346,619</b>	<b>341,424</b>	<b>367,740</b>	<b>423,704</b>
IT Costs		220,380	221,730	213,510	224,152	223,182	233,805	269,386
Communications		122,783	120,260	146,835	148,445	147,803	154,838	178,402
Shipping		39,354	45,098	48,695	51,956	51,731	54,193	62,441
Supplies		78,707	78,921	82,407	89,067	92,377	96,774	111,501
Corporate Allocations		157,414	157,943	164,916	163,709	163,609	170,221	186,743

Operating Expenses and Targets from Normal Operations

Current owner: Administrator

Data viewed as a percent of Revenue.

Income Statement Shareholder View KPIs KPI Review Credit Rating

Corporate Current Yr

	\$	Revenue	% of Revenue
Salaries	2,018,368	26,723,554	7.55%
Wages	2,992,134	26,723,554	11.20%
<b>SALARIES &amp; WAGES</b>	<b>5,010,503</b>	<b>26,723,554</b>	<b>18.75%</b>
Misc. Employee Expense	244,780	26,723,554	0.92%
Automobiles	70,837	26,723,554	0.27%
<b>PERSONNEL EXPENSES</b>	<b>315,616</b>	<b>26,723,554</b>	<b>1.18%</b>
Travel	335,293	26,723,554	1.25%
Accommodation	153,479	26,723,554	0.57%
Meal Allowance	74,772	26,723,554	0.28%
<b>TRAVEL EXPENSE</b>	<b>563,544</b>	<b>26,723,554</b>	<b>2.11%</b>
<b>TOTAL EMPLOYEE EXPENSE</b>	<b>5,889,662</b>	<b>26,723,554</b>	<b>22.04%</b>
Advertising	236,122	26,723,554	0.88%
Other Marketing Exp	78,707	26,723,554	0.29%
<b>MARKETING EXPENSE</b>	<b>314,829</b>	<b>26,723,554</b>	<b>1.18%</b>
IT Costs	220,380	26,723,554	0.82%
Communications	122,783	26,723,554	0.46%
Shipping	39,354	26,723,554	0.15%
Supplies	78,707	26,723,554	0.29%
Corporate Allocations	157,414	26,723,554	0.59%
<b>CORPORATE OVERHEADS</b>	<b>618,639</b>	<b>26,723,554</b>	<b>2.31%</b>
Depreciation & Amortization	15,000	26,723,554	0.06%
Rent	4,379,332	26,723,554	16.39%
Maintenance	799,295	26,723,554	2.99%
Electricity/Utilities	161,202	26,723,554	0.60%
Non Capital Exp		26,723,554	
<b>PREMISES PLANT &amp; EQUIPMENT</b>	<b>5,354,830</b>	<b>26,723,554</b>	<b>20.04%</b>
<b>Total Operating Expense</b>	<b>12,177,960</b>	<b>26,723,554</b>	<b>45.57%</b>

Operating Expenses and Targets from Normal Operations

Current owner: Administrator



## TAXATION

The key data here is linked from **Income Statement** and **Balance Sheet**. Optional Data may be entered for Deferred Asset or Liability taxes. As taxation varies greatly by tax domain, this tab is mainly included to provide a high-level view of tax impact as a result of the selected strategies. The information generated here does not represent an exact calculation of tax liability. It is expected that further understanding of tax implications will be handled outside of this application.

Income Statement	Shareholder View	KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation		
Corporate	Most Likely	Core Operations							
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Income Tax Payments									
EBITDA	7,720,356	8,391,088	9,136,099	9,929,874	10,014,828	10,376,374	11,013,664	11,007,281	11,007,281
Depreciation & Amortization	15,000	(82,000)	18,000	18,000	18,000	13,000			
Interest									
Other									
CY Taxable Income/(Loss)	7,735,356	8,309,088	9,154,099	9,947,874	10,032,828	10,389,374	11,013,664	11,007,281	11,007,281
Loss Brought Fwd									
Taxable Income	7,735,356	8,309,088	9,154,099	9,947,874	10,032,828	10,389,374	11,013,664	11,007,281	11,007,281
Income from Foreign Subs	100,000								
Corporate tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Gross Tax Payable	2,320,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Foreign Tax Rate	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Foreign Tax Credits									
Foreign Tax Payable	40,000								
Tax Payable	2,360,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Capital Gains Tax									
Income Tax Payable B/Fwd	20,000								
Opening Balance Tax	20,000	595,152	623,182	686,557	746,091	752,462	779,203	826,025	825,546
Payments	1,785,455	2,464,696	2,682,854	2,924,829	3,003,477	3,090,071	3,257,278	3,302,663	3,302,663
Total Income Tax Payments	1,785,455	2,464,696	2,682,854	2,924,829	3,003,477	3,090,071	3,257,278	3,302,663	3,302,663
Income Tax Payable	2,360,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Closing Income Tax Payable	595,152	623,182	686,557	746,091	752,462	779,203	826,025	825,546	825,546
TAX LOSSES									
Opening Balance									
Curr Yr Losses									
Losses used CY									
Carried Fwd Losses									
Deferred Taxes									
Book Value Fixed Assets	4,060,000	3,392,000	3,374,000	3,356,000	3,338,000	3,325,000	3,325,000	3,325,000	3,325,000
Tax Value Fixed Assets									
Gross Fixed Asset Timing Diff	4,060,000	3,392,000	3,374,000	3,356,000	3,338,000	3,325,000	3,325,000	3,325,000	3,325,000
Provisions									
Tax Losses									

Taxation Impacts, Payments and taxation planning.

Current owner: Administrator

Taxation Impacts, Payments and taxation planning.

Current owner: Administrator



## BALANCE SHEET

The data in this tab is fed primarily from the **Balance Flow** tab which is a Trial Balance (explained in detail later). You should note the dimension items **Balance** and **Change**. This tab also includes data for the Acquisition/Divestiture scenarios. The last item, **Bal\_check** should always be zero for Post-Acquisition. This indicates that the **Balance Sheet** is in balance.

Currently, when an Acquisition is selected for inclusion, the Acquisition price is shown as single line item on the **Balance Sheet – Investment other Companies** under the Acquisition scenario. Changes to future periods in the **Balance Sheet** should be made as the acquisition is absorbed into the company.

Strategic_Finance_BP   Contributions   Corporate - Cognos Planning - Contributor					
File Edit View Tools Actions Help					
Income Statement Shareholder View KPIs KPI Review Credit Rating Operating Revenue Operating Expenses Taxation <b>Balance Sheet</b>					
Corporate Current Yr Most Likely Balance					
	Core Operations	Acquisitions	Divestitures	Post-Acquisition	Balance Change
Cash		76,500,000		76,500,000	
Receivables	3,294,685	1,000,000		4,294,685	
Inventories	2,217,540			2,217,540	
<b>TOTAL CURRENT ASSETS</b>	<b>5,512,225</b>	<b>77,500,000</b>		<b>83,012,225</b>	
Property, Plant & Equipment-cost	5,100,000	2,000,000		7,100,000	
Accumulated depreciation	1,015,000			1,015,000	
<b>Property, plant and equipment - net</b>	<b>4,085,000</b>	<b>2,000,000</b>		<b>6,085,000</b>	
Investment other Companies		4,000,000		4,000,000	
Other Non Current Assets	100,000			100,000	
<b>TOTAL NON CURRENT ASSETS</b>	<b>4,185,000</b>	<b>6,000,000</b>		<b>10,185,000</b>	
<b>TOTAL ASSETS</b>	<b>9,697,225</b>	<b>83,500,001</b>		<b>93,197,225</b>	
Payables	1,462,465			1,462,465	
Tax Liabilities	603,398			603,398	
Other Current Liabilities	1,101,397			1,101,397	
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,167,259</b>			<b>3,167,259</b>	
Long Term Debt	338,000	76,655,858		76,993,858	
Other Non Current Liabilities	1,726	1,000,000		1,001,726	
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>339,726</b>	<b>77,655,858</b>		<b>77,995,584</b>	
<b>TOTAL LIABILITIES</b>	<b>3,506,985</b>	<b>77,655,858</b>		<b>81,162,843</b>	
<b>NET ASSETS</b>	<b>6,190,239</b>	<b>5,844,143</b>		<b>12,034,382</b>	
Equity	3,954,000	2,500,000		6,454,000	
Retained Earnings	5,580,382			5,580,382	
<b>TOTAL EQUITY</b>	<b>9,534,382</b>	<b>2,500,000</b>		<b>12,034,382</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,041,367</b>	<b>80,155,858</b>		<b>93,197,225</b>	
<b>Bal_check</b>	<b>(3,344,143)</b>	<b>3,344,143</b>			

## BAL SHEET ASSUMPTIONS

This is a very important tab that does require input. Most of the items here will be used to drive **Balance Sheet** calculations and key metrics. As shown below, input is required for Days Outstanding for Receivables, Days Payables, Inventory turns, etc.

Also included in this tab is the option to provide for any **Dividend payments, Share issuances and repurchases**. **P/E** and **P/E Growth** ratios are input here. This tab is also used to input Shares issuance and/or Share repurchases. The **Yield Factor** is also input here and used to calculate the Gross and Net Yield from Dividend distribution. The output of these numbers is used in various Metrics in the **KPI** and **Shareholder View** tabs.

KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps		
Corporate			Most Likely						
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Yield Factor	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500
Short Term Rate of Return	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Days	365	366	365	365	365	366	365	365	365
DSO_Receivables	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Inventory Turns	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Days accrual outstanding	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Days Accts Payable Outstanding	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Days Payroll expense outstanding	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Days Interest Paid	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Dividends Paid?			Yes						
Dividend per Share			1.000						
Warning Dividends									
Dividends \$			\$634,000						
P/E	4.000	4.020	4.052	3.950	4.015	4.015	4.015	4.015	4.015
P/E Growth		0.500	0.796	(2.517)	1.646				
Ordinary Shares									
Common Shares B/Fwd	634,000								
Book Value per Share	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Market Value per Share	8.93	15.39	19.43	22.33	23.43	25.00	27.77	27.74	28.83
Common Stock Value B/Fwd	3,804,000								
New Shares Issues:									
Share Issue 1									
Share Issue 2									
Share Issue 3									
Total New Share Issues									
Cash from Shares Issued									
Shares Repurchased									
Cash from Repurchase									
Additional Paid in Capital									
Ending Shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000
Closing Share Value	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000
Weighted Avg Shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000

Statement of Financial Position, showing both Movement and Year to Date.

Current owner: Administrator

## WORKING CAPITAL

This tab provides a simple overview of Working Capital.

Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Working Capital	
Corporate		Most Likely		Balance			
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
CURRENT ASSETS							
Cash							
Receivables	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,731,480	3,802,302
Inventories	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	2,519,636
TOTAL CURRENT ASSETS	5,555,697	5,690,230	5,913,057	6,109,971	6,161,212	6,222,814	6,321,938
CURRENT LIABILITIES							
Payables	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	8,912,577
Tax Liabilities	595,002	623,182	686,557	746,091	752,462	779,203	826,025
Other Current Liabilities	1,101,397	2,233,821	3,373,522	4,511,637	5,647,639	6,739,765	7,707,692
TOTAL CURRENT LIABILITIES	3,187,448	5,501,627	7,911,491	10,361,938	12,758,725	15,142,461	17,446,293
WORKING CAPITAL	2,368,249	188,603	(1,998,434)	(4,251,967)	(6,597,513)	(8,919,647)	(11,124,355)

## CASHFLOW FROM OPERATIONS

This tab contains two views of Operational cash. No input is required. The top view shows the “Direct” changes to the cash accounts, while the bottom shows “Indirect” changes as they impact the Balance Sheet. Both Direct and Indirect net cash should be the same.

Strategic_Finance_BP   Contributions   Corporate - Cognos Planning - Contributor								
File	Edit	View	Tools	Actions	Help			
KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Cashflow from Operations	
Corporate	Most Likely							
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash Receipts from Sales	23,448,869	27,427,307	28,598,564	29,726,829	29,980,802	30,316,204	30,770,073	30,872,028
Payments to Employees	5,647,622	5,451,869	5,423,268	5,478,410	5,518,058	5,803,657	6,741,015	6,892,187
Payments Inventory	7,403,695	5,772,742	6,008,812	6,237,387	6,247,042	6,321,234	6,422,464	6,411,041
Payments other Expense	5,413,942	5,684,452	5,715,830	5,690,957	5,666,936	5,334,755	4,277,863	4,178,377
Income Tax Paid	1,847,694	2,516,952	2,728,434	2,973,184	3,052,217	3,138,837	3,306,325	3,352,607
Interest Expense	19,274	19,279	19,274	19,274	19,274	19,279	17,071	17,071
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,116,643</b>	<b>7,982,014</b>	<b>8,702,946</b>	<b>9,327,617</b>	<b>9,477,276</b>	<b>9,698,443</b>	<b>10,005,336</b>	<b>10,020,744</b>
Net Income	5,570,382	5,914,389	6,516,997	7,077,573	7,136,595	7,386,405	7,824,210	7,822,264
<b>Adjustments to net income:</b>								
Depreciation and amortization	15,000	(82,000)	18,000	18,000	18,000	13,000		
<b>Change in assets and liabilities:</b>								
(Increase)/decrease in receivables	(3,274,685)	(88,393)	(162,850)	(135,761)	(16,624)	(33,167)	(70,822)	(4,378)
(Increase)/decrease in inventory	(2,207,540)	(45,824)	(57,255)	(59,125)	(33,674)	(27,864)	(27,850)	(18,264)
(Increase)/decrease in Other Assets	(100,000)							
Increase/(decrease) in payables	1,456,465	1,131,910	1,182,061	1,227,027	1,228,926	1,239,458	1,263,436	1,261,188
Increase/(decrease) in accrued expenses	1,101,397	1,132,424	1,139,700	1,138,115	1,136,002	1,092,126	967,926	958,614
Increase/(decrease) in interest payable	1,726	1,721	1,726	1,726	1,726	1,721	1,529	1,525
Increase/(decrease) in income taxes payable	553,898	17,787	64,565	60,062	6,324	26,765	46,908	(209)
Increase/(decrease) in deferred taxes payable								
<b>Total adjustments</b>	<b>(2,468,739)</b>	<b>2,149,625</b>	<b>2,167,949</b>	<b>2,232,044</b>	<b>2,322,680</b>	<b>2,299,039</b>	<b>2,181,126</b>	<b>2,198,480</b>
<b>NET CASH OPERATIONS_Indirect</b>	<b>3,116,643</b>	<b>7,982,014</b>	<b>8,702,946</b>	<b>9,327,617</b>	<b>9,477,276</b>	<b>9,698,443</b>	<b>10,005,336</b>	<b>10,020,744</b>
Cashflow from normal operations.								
								Current owner: Administrator

## CASHFLOW MANAGEMENT

This is one of the main input tabs, and enables the user to plan and fund investments and other strategic activities. Cash from Core represents the operating cash available for Investment Activity under the Acquisition item. Any cash from divestitures would also result in additional cash for Acquisitions. The cash planning is done at the Acquisitions scenario including Capital Investment and Disposal as well as Dividend payouts. It is assumed that at the end of this exercise, there is no remaining Cash Balance. Cash is either invested or borrowed to arrive at a zero balance.

Cashflow Management	Debt	M&A Feasibility	M&A Valuation	M&A Synergies	M&A Synergies Blueprint
 Corporate		 Most Likely		 Current Yr	
	Core Operations	Acquisitions	Divestitures	Post-Acquisition	
OPERATING ACTIVITIES					
Operating Cash	3,026,499				
Cash from Divestitures			15,000		
Cash Available		3,041,499		3,041,499	
INVESTMENT ACTIVITIES					
Investment PP&E	100,000			100,000	
Disposal PP&E	25,000			25,000	
Total Investment Activities	75,000			75,000	
STRATEGIC ACTIVITIES					
Acquisition		20,000,000		20,000,000	
Dividends Paid					
Short Term Investment					
Total Strategic Activities		20,000,000		20,000,000	
FUNDING ACTIVITIES					
Existing Debt Core Ops	210,000			210,000	
Acquisition_Debt_1		16,733,501		16,733,501	
Debt Category_1		5 % Series			
Acquisition_Debt_2					
Debt Category_2					
Cap Expense_Liability	90,000			90,000	
Existing Debt Retired					
Stock Issuance					
Total Funding Activities	300,000	16,733,501		17,033,501	
NET CASH	225,000	(225,000)			

## DEBT

This tab allows the user to plan debt for core operations. Debt Planning for Acquisitions is created in the Cashflow Management tab above.

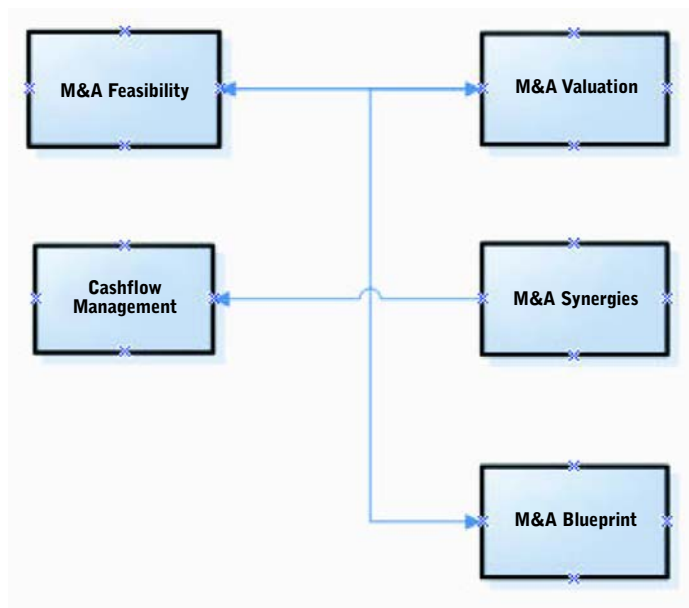
Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Cashflow from Operations	Cashflow Management	Debt		
Corporate		5 % Series		Most Likely		Core Operations				
	Current Yr	5 % Series		CY+4	CY+5	CY+6	CY+7	CY+8	CY+9	10yr Total
Debt B/Fwd	48,000	7 1/2% Series								48,000
Opening Debt Balance	48,000	6% 30 Year Note		18,000	48,000	48,000				336,000
New Debt										
Retired Debt		Cap Expense_Liability				48,000				48,000
Ending Debt Balance	48,000	Total Debt		18,000	48,000					288,000
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense	2,400	2,400	2,400	2,400	2,400	2,400				14,400



## MERGERS & ACQUISITION PLANNING

M&A planning is an important part of this *Blueprint*. Since most companies plan for growth and profitability, acquisition planning is a critical component of the strategic planning process. The next section of this *Blueprint* outlines its M&A component as shown in the flowchart below:

**Mergers and Acquisition Overview**



## M&A FEASIBILITY

We begin with the M&A Feasibility tab, which begins the initial M&A process. Required is some basic information regarding the purchase price, shares currently owned, and percentage of ownership desired. The user must select a Valuation method from the drop-down and most importantly, whether to include the Acquisition from the drop-down “Include.” Only by selecting “Yes” will users see the effect of this acquisition on all of the financials and metrics. By indicating what price you are willing to pay in order to make the acquisition, you can immediately see the resulting Premium Offer %.

This tab allows the user to plan for up to three acquisition evaluations per year. Of course, this list can be modified to accommodate user needs. You may also want to input the acquisition with varying offer prices, and valuations via the Scenarios dimension. Additionally, the “Fair Market Value” of existing Assets and Liabilities must be input in order to calculate Goodwill.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A V.
Corporate	Most Likely			Current Yr
Valuation	1	2	3	Total
No of Shares Owned	50,000	50,000		100,000
No of Shares Issued	1,000,000	1,000,000		2,000,000
Percentage of Entity Owned	5.00%	5.00%		
Current Market Share Price	\$20.00	\$20.00		\$40.00
Market Value of Entity	20.000M	20.000M		40.000M
Book Value of Existing Equity	15.000M	15.000M		30.000M
Market Value of Entity Owned	1.000M	1.000M		2.000M
Valuation Method	NPV	Asset Valuation		
Sum of Parts Valuation	10.000M	9.000M		19.000M
Valuation of Non-owned Equity	9.000M	8.000M		17.000M
Percentage Ownership Req'd	50.00%	50.00%		50.00%
Market Value of Equity Req'd	9.000M	9.000M		18.000M
Proposed Offer Price	20.000M	18.500M		38.500M
Offer Share Price	\$21.05	\$19.47		\$40.53
Current Share Price	\$20.00	\$20.00		\$40.00
Premium Offer %	5.3%	(2.6%)		
Book Value of Equity	15.000M	15.000M		30.000M
Fees & Charges	0.100M	0.100M		0.200M
Estimated Goodwill	11.000M	10.500M		21.500M
Shares not yet owned	950,000	950,000		1,900,000
Cost of Transaction	0.100M	0.100M		0.200M
Acquisition Price	20.100M	18.600M		38.700M
Market Value of Equity				
ASSETS	1,500,000	1,500,000		3,000,000
Accounts Receivable	500,000	500,000		1,000,000
Land and Buildings	1,000,000	1,000,000		2,000,000
LIABILITIES	1,500,000	1,500,000		3,000,000
Accounts Payable				
Debt	1,500,000	1,500,000		3,000,000
Net Assets				
Goodwill	20,100,000			20,100,000
Include?	Yes	-		
Cash Required	20,100,000			20,100,000

## M&A VALUATION

This tab is used to input the Projected Cash Flows, Asset Valuation, Market Valuation, and Interest Rate for the Acquisition. Based on the Interest Rate that is input, the valuation for Net Present Value and Discounted Cash flow is calculated. Net Income is linked from the **M&A Synergies** tab to calculate the values for NPV and Discounted Cash Flow with Synergies.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A Valuation
Corporate	Most Likely			\$
	1	2	3	Total
<b>Discounted Cashflow Valuation</b>				
Projected Cash Flows	10,000,000	10,000,000		20,000,000
Interest Rate	5.25%	5.25%		5.25%
No of Periods	1	1		1
<b>DCF</b>	9,501,188	9,501,188		19,002,375
<b>NPV</b>	10,000,000	10,000,000		
Asset Valuation	9,000,000	9,000,000		18,000,000
Market Valuation	10,000,000	10,000,000		20,000,000
<b>Synergies Valuation</b>				
Net Income	2,952,000			2,952,000
<b>DCF with Synergies</b>	1,960,377			1,960,377
<b>NPV with Synergies</b>	5,849,862			5,849,862

## M&A SYNERGIES

This tab is used to input projected Synergies for the Acquisition. The items in this tab represent key factors used in determination of Revenue and Cost synergies. These include Customers, Average Purchases, and Volume, Headcount and Facilities. In our example, note that the anticipated synergies from this acquisition include a negative number for IT Staff and Floorspace indicating a reduction in this expense or positive synergy.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A Valuation	M&A Synergies
1	Corporate			Most Likely	
	Pre-Acquisition	Synergies	Post-Acquisition		
<b>GROSS MARGIN</b>	3,050,000	(98,000)			
<b>REVENUE</b>	4,000,000	30,000	4,030,000		
Customers	20	5	25		
Avg No of Purchases	20	5	17		
Avg Volume	100	20	84		
Rate	100,000	60,000	92,000		
<b>SALARIES &amp; BENEFITS</b>	165,000	175,000			
<b>Salaries Total</b>	165,000	175,000			
<b>Staff Numbers</b>	26	6			
Admin Staff	10	2	12		
Admin Salaries	50,000	60,000	110,000		
Sales Staff	11	6	17		
Sales Salaries	60,000	75,000	135,000		
IT Staff	5	(2)	3		
IT Salaries	55,000	40,000	95,000		
<b>FACILITIES</b>	785,000	(47,000)			
- Floorspace per Emp	45	(10)	35		
- <b>Floorspace Req'd</b>	1,170	(60)			
- Rate	500.00	450.00			
- <b>Rent</b>	585,000	(27,000)			
Utilities	200,000	(20,000)	180,000		

## M&A SYNERGIES BLUEPRINT

This tab will eventually be used to capture data from the *Mergers & Acquisitions Blueprint*. It contains additional detailed Revenue and Expense data, as well as the data linked from the M&A Synergies tab.

BalSheet Assumps	Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A
Corporate	1			Most Likely	
	Pre-Acquisition	Synergies	Post-Acquisition		
<b>OPERATIONS</b>					
Sales Revenue	4,000,000	30,000	4,030,000		
Cost of Sales	250,000	5,000	255,000		
Other Revenue					
<b>Gross Profit</b>	<b>3,750,000</b>	<b>25,000</b>	<b>3,775,000</b>		
<b>PAYROLL EXPENSES</b>					
Salaries & Wages General					
Medical Benefits					
Payroll Taxes					
Retirement					
Other					
<b>Total Payroll Expense</b>					
<b>PROPERTY EXPENSES</b>					
Premises Rental	585,000	(27,000)	558,000		
Utilities	200,000	(20,000)	180,000		
<b>Property Expenses TOTAL</b>	<b>785,000</b>	<b>(47,000)</b>	<b>738,000</b>		
<b>OTHER EXPENSES</b>					
Travel					
IT & Communications					
Outside Services					
Consulting Fees	300,000	(150,000)	150,000		
Repairs & Maintenance					
Supplies					
Marketing					
Other Expenses					
<b>Other Expenses TOTAL</b>	<b>300,000</b>	<b>(150,000)</b>	<b>150,000</b>		
<b>TOTAL EXPENSES</b>	<b>1,085,000</b>	<b>(197,000)</b>	<b>888,000</b>		
<b>NET INCOME</b>	<b>2,665,000</b>	<b>222,000</b>	<b>2,887,000</b>		



## DIVESTITURES

This tab requires input for **Divestitures**. The drop-down list for Divestiture Type includes Fixed Assets, Product Lines, and entire divisions. Additionally, you should add data detailing the Revenue and Cost impact of the divestiture. The sales period must be included in order to capture the divestiture in the correct period. If you are divesting of a capital asset, you should also indicate the Disposition Price and any associated Selling Expense. The data in this tab is linked to the **Cash Flow Management** tab.

Cashflow Management	Debt	M&A Feasibility	M&A Valuation	M&A Synergies	M&A Synergies Blueprint	Divestitures
Corporate		Most Likely				
	Div 1	Div 2	Div 3	Div 4	Div 5	Total Divisions
Divestiture type	Product Line 1	Fixed Assets - Property				
<b>Warning</b>						
Revenue Impact	100,000		Fixed Assets - Property			100,000
Cost Impact	50,000		Fixed Assets - Other			50,000
<b>Net Income Impact</b>	<b>50,000</b>		Product Line 1			50,000
Description	packaging		Product Line 2			50,000
Sales Period	Current Yr	Next Yr	Product Line 3			
Book Value		500,000	Entire Division			
Accumulated Depreciation		100,000	<b>Total Divestiture</b>			500,000
<b>Net Value</b>		<b>400,000</b>				<b>400,000</b>
Asset Type		Buildings				
Disposition Price		800,000				800,000
Selling Expenses		50,000				50,000
<b>Gain/(Loss) on Sale</b>		<b>350,000</b>				<b>350,000</b>
Taxable Amount		100.00%				100.00%
<b>Capital Gain/(Loss) Taxes</b>		<b>350,000</b>				<b>350,000</b>
Corporate Tax Rate	30.0%	30.0%				60.0%
<b>Capital Gains Tax</b>		<b>105,000</b>				<b>105,000</b>
<b>Net Gain/(Loss)</b>		<b>245,000</b>				<b>245,000</b>

## CAPEX

This tab is used to input Capital requirements. In addition to the *Description*, *month capitalized*, *Capital amount* and *cash outlay* you must select “Yes” from the *Capitalize* drop-down in order to see the flow through to all of the related financials. The *Blueprint* includes 10 available numbered items per year.

	Current Yr	Next Yr	1	5	CY+6	CY+7	CY+8	CY+9	Oyr Tot.
Asset Description	Board Room upgrade		2						
Month	Mar		3						
Capital Amount	100,000		4						
Cash Outlay	10,000		5						
<b>Liability</b>	<b>90,000</b>		6						
<b>TOTAL CAPITAL EXP</b>	<b>100,000</b>								
<b>PROJECT TOTAL</b>	<b>100,000</b>								
Capitalize?	Yes								
Asset Type	Furniture & Fixtures								Furnit
Asset Life	6								
<b>Opening Book Value</b>		85,000	67,000	49,000	31,000	13,000			
<b>Capitalization Amount</b>	<b>100,000</b>								
<b>Closing Book Value</b>	<b>85,000</b>	<b>67,000</b>	<b>49,000</b>	<b>31,000</b>	<b>13,000</b>				
PPE - depreciation and amortization B/Fwd	1,000,000								
<b>New Depreciation</b>	<b>15,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>13,000</b>			
<b>Total Current Depreciation</b>	<b>15,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>13,000</b>			
Required Rate of Return %	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

## BALANCE FLOW

This tab represents a Trial Balance. You may input Balance Forward information for the Core operations only. It is important that the Balance Forward Accounts are the same for all scenarios as these represent prior year Actual Data. *In order to check this make sure the “Bal\_check” column for “Post Acquisition” in the Balance Sheet is zero.* Balances for many of the accounts are calculated based on the input in the Bal Sheet Assumptions tab.

	M&A Feasibility	M&A Valuation	M&A Synergies	M&A Synergies Blueprint	Divestitures	CapEx	Balance Flow	
Corporate								
Most Likely								
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	
Days	365	366	365	365	365	366		
<b>FLOW OPERATING ITEMS</b>								
Receivables B/Fwd	20,000	0	0	0	0	0		
<b>Receivables - beg period</b>	20,000	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,715,480	
Revenue	26,723,554	27,515,700	28,761,414	29,862,590	29,997,425	30,349,372	30,715,480	
<b>Cash Receipts</b>	23,448,869	27,427,307	28,598,564	29,726,829	29,980,802	30,316,204	30,715,480	
<b>Receivables - end period</b>	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,731,480	3,815,480	
Other Revenue B/Fwd	0	0	0	0	0	0		
<b>Other Rev - beg period</b>	0	12,329	0	0	0	0	0	
Other Revenue	0	0	0	0	0	0	0	
Extraordinary items	0	0	0	0	0	0	0	
Foreign income	100,000	0	0	0	0	0	0	
Short Term Investment	0	0	0	0	0	0	0	
<b>Interest ST Investment</b>	0	0	0	0	0	0	0	
ST Investment Rate %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
<b>Total Other Revenue</b>	100,000	0	0	0	0	0	0	
<b>Cash Receipts Other Revenue</b>	87,671	12,329	0	0	0	0	0	
<b>Other Revenue - end period</b>	12,329	0	0	0	0	0	0	
Inventory B/Fwd	10,000	0	0	0	0	0		
Days sales outstanding	45	45	45	45	45	45		
Inventory - beg period	10,000	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	
Cost of Goods Sold	6,783,038	6,990,667	7,281,316	7,560,035	7,596,403	7,687,260	7,751,694	
<b>Inventory Purchases</b>	9,034,051	7,036,807	7,341,293	7,621,188	7,631,020	7,715,694	7,815,480	
<b>Inventory - end period</b>	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	2,515,480	
<b>Avg COGs</b>	6,783,038	6,921,458	7,101,387	7,284,846	7,388,698	7,474,002	7,551,694	
Inventory Turns	3.0	3.0	3.0	3.0	3.0	3.0		
Accounts Payable B/Fwd	6,000	0	0	0	0	0		
<b>Accounts payable - beg period</b>	6,000	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	
Purchases for Inventory	9,034,051	7,036,807	7,341,293	7,621,188	7,631,020	7,715,694	7,815,480	
<b>Payments for Inventory</b>	7,549,001	5,883,232	6,134,505	6,368,390	6,376,606	6,450,827	6,551,694	
<b>Accounts payable - end period</b>	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	8,915,480	
Days Accts Payable Outstanding	60	60	60	60	60	60		

Internal calculations and trial balance

Current owner: Administrator

## ASSUMPTIONS

This tab includes corporate provided data on interest and tax rates that is used in most of the financials.

M&A Valuation		M&A Synergies		M&A Synergies Blueprint		Divestitures	CapEx	Balance Flow	Assumptions	
Corporate		Most Likely								
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9
Corporate tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Interest Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Cost of capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
ST Investment Rate %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Premium %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Required Rate of Return %	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
No of Employees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Foreign Tax Rate	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%



## **ABOUT THE COGNOS INNOVATION CENTER FOR PERFORMANCE MANAGEMENT**

The Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.