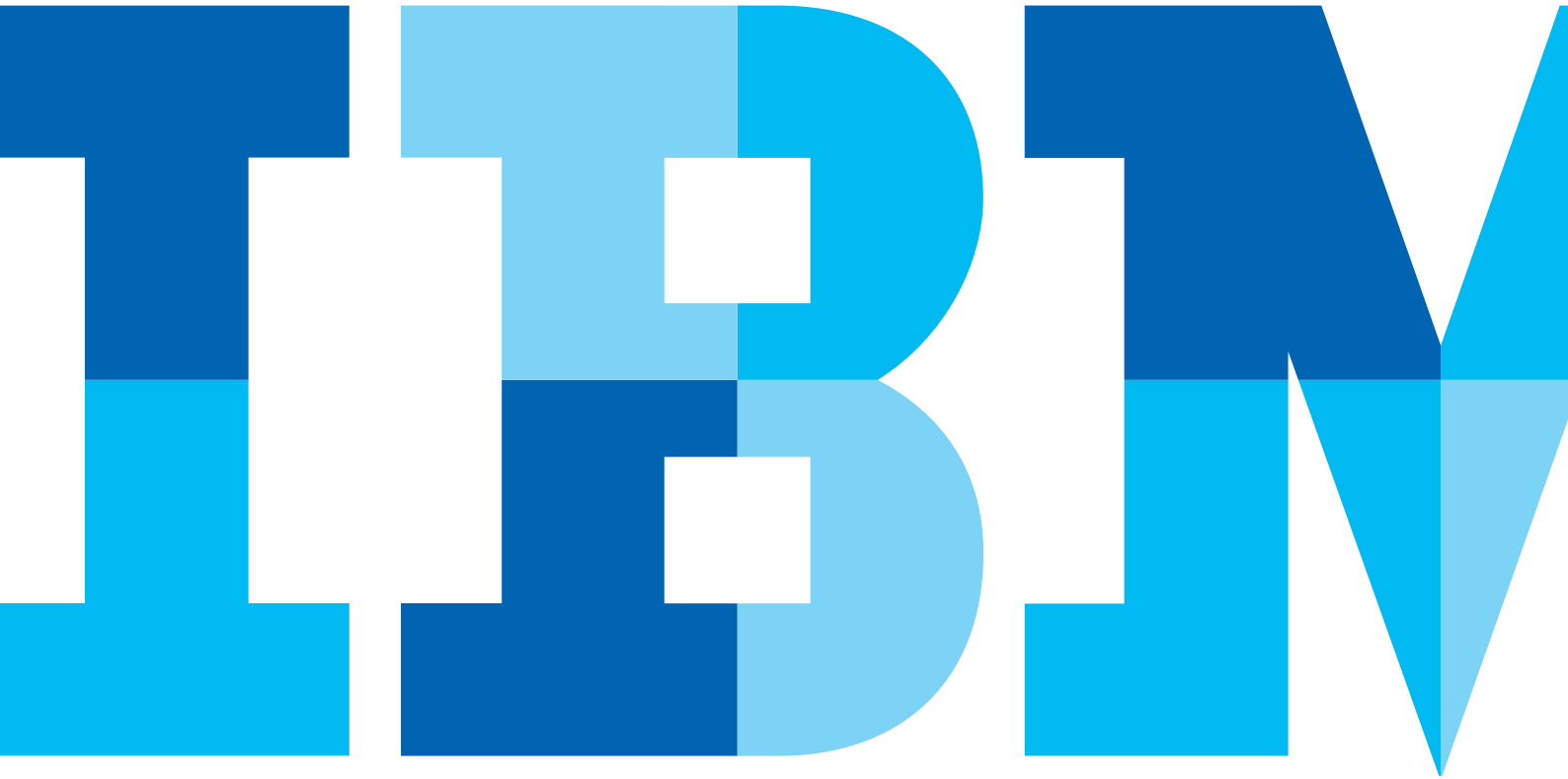


Integrated Financial Forecasting and Planning Performance Blueprint Powered by IBM Cognos Express



Introduction

This application brief illustrates a web-based application for managing Integrated Financial statements. *The IBM Cognos® Integrated Financial Forecasting and Planning Performance Blueprint Powered by IBM Cognos Express* enables operations to focus on plans while affording finance and senior management the visibility to ensure that operational plans are in synch with corporate objectives. The *Blueprint* establishes the targets and metrics used to measure organizational success. Response to changing business conditions is usually expressed as an updated forecast. As forecasts change, integrated financial statements can be instantly updated to see the effect on key financial objectives such as DSO and cash flow per share.

Integrated Financial Forecasting and Planning Blueprint Powered by IBM Cognos Express overview

Throughout a corporation during the planning cycle, there will be models supporting different types of planning processes, such as sales planning, headcount planning and capital planning. These models collect data at the micro level. Integrated financial statements make up the macro level model for consolidating and analyzing the results of the micro planning processes. At a corporate level, the results of the planning process should be validated against the strategic objectives of the corporation and provide predictability into the long range plan.

The overall process is characterized by the need to:

- Establish relationships between profit metrics and cash flow requirements.
- Synchronize operational plans with integrated financial statements to understand their impacts on the balance sheet and cash flow.
- Model alternative business scenarios quickly to make optimal investment decisions.

The process begins with setting financial objectives expressed as financial targets or goals to establish operational plans, budgets and forecasts. Objectives are discussed and finalized, then expressed as a set of tangible targets in the form of financial statements—initially an income statement. Revenue targets are modeled based on agreed-upon financial objectives, then measured against profitability objectives to identify margin requirements. Resources can now be properly allocated throughout the company.

As income statements are finalized, they're tied to other financial statements that include the balance sheet and cash flow. Accounts receivable, accounts payable and major capital expenditures are modeled to analyze key metrics. Best-in-class companies iterate scenarios between the income statement, balance sheet and cash flow to ensure that an integrated view of all statements and objects are considered when planning for the upcoming fiscal year.

When integrated financial statements are validated, they are used as targets to build corporate operational plans, which are then linked back to integrated financial statements to validate targets. Changes to plans or targets are reflected in integrated financials to increase the probability of attaining these financial goals.

The minimal requirement for most corporations includes a complete set of financial statements consisting of an income statement, balance sheet, cash flow and key ratios and metrics. The statements must be integrated, so that any change in underlying assumptions ripples through all of them: days sales outstanding (DSO) assumptions affect the balance sheet along with cash position; revenue plan assumptions affect balance sheet and cash flow and so on. Because such targets are frequently iterated, accuracy is necessary and integration of these statements must be assured.

In high-performance companies, financial statements are the baseline for measuring results and are dynamic documents in constant use, not mere reports collecting dust on a shelf. The *Integrated Financial Forecasting and Planning Blueprint Powered by IBM Cognos Express* helps your company use your financial statements to improve business outcomes and optimize performance.

Blueprint objectives and architecture

The *Integrated Financial Forecasting and Planning Blueprint Powered IBM Cognos Express* achieves a number of the objectives of integrated financial planning:

- Connects operational plans to the financial statements
- Provides the basis for strategic and operational plan and forecasts
- Validates bottom up plans against strategic objectives

Business intelligence model

The business intelligence (BI) components of the *Blueprint* focus on providing vital information to executives. On-demand information provides the tools to evaluate performance versus existing plans, make decisions with causal effect on plans and incorporate strategic initiatives to drive business performance.

The benefits of the BI model include:

- On-demand data access
- Dashboards that provide key information relevant to business function
- Drill-down from dashboards to answer questions and depict status from various perspectives
- Cross-organizational reporting (multi-node reporting)
- Visual aids showing status of the plan versus performance for evaluation and understanding of its impact
- Filtering options for further focus on needed information
- Ad hoc query to slice-and-dice information to answer questions and monitor impact
- Dimensional analysis to analyze impact
- Actual versus budget and forecast
- Flexible and extensible modeling

These features help you make informed decisions about integrated financial statements and their relationship to strategic maps and corporate goals.

The BI model presents information in many forms, with the capability to drill down to more detailed analyses and include up-to-date information from IBM Cognos Express. Folders, dashboards and reports are provided to drive the decision-making process. Some noteworthy features are:

- Reporting for all organization levels (multi node reporting)
- In-body prompts allowing for selection of areas of interest in the report
- Clickable links to sections of a multi-section report
- Drill-down to further detail

Workflow

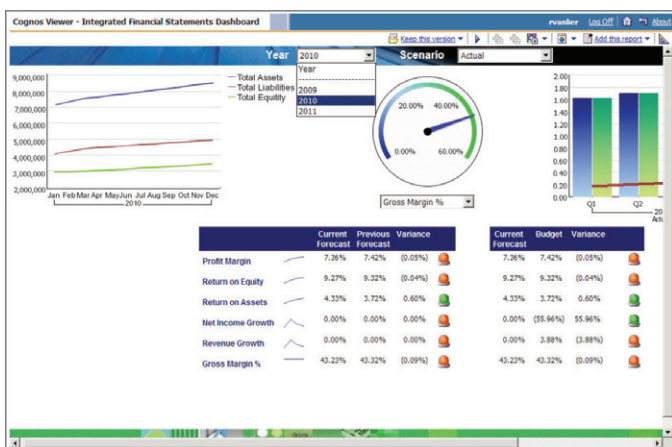
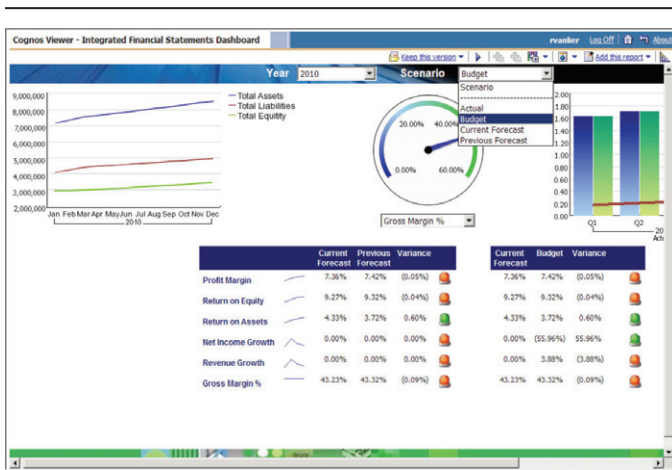
In a typical workflow, after a company has set its strategic objectives, the rest of the organization uses the targets to create tactical operational plans for the upcoming year. These operational plans are typically driver-based and linked to key business factors such as number of units sold, product mix and so on. After plans are reviewed and approved, they are tied back to integrated financial statements to ensure they meet corporate objectives.

With interactive scenario analysis and team input, company resources and plans often shift to meet financial objectives. Throughout the process, operational plans must be continually translated into a set of financial numbers.

Financial goals and objectives might need adjusting as operations provides a clearer picture of what is achievable with the resources at hand. The association between integrated financial and operational plans leads to alignment and commitment to reach corporate objectives.

Executive reporting

For an executive, the dashboard report shows a great deal of information about his or her company and provides immediate information about any anomalies. Executives can select the time period, version or both as shown in the following images. This report also shows major performance indicators.



Users may also refer to specific reports and or charts for further information.

For example, they can refer to an income statement chart similar to the chart in the following example.



Planning model

The planning model of the *Integrated Financial Forecasting and Planning Blueprint Powered by IBM Cognos Express* provides web-based deployment of process workflow, data collection and consolidation. In addition, you can customize this model as needed. Its benefits include:

- Web-based deployment of models for data collection and consolidation
- On-demand workflow
- On-demand consolidation
- On-demand browser-based calculations to yield immediate results
- Capability to execute form-based planning using selection boxes to drive application logic and calculations
- Sandboxing to create personal scenarios for what-if analysis

Workflow

Executives can see the workflow status of the application and are co-owners of that information, able to make edits as required. Workflow status changes, calculations and aggregations occur in real-time as users save information, enabling frequent planning iterations. Before data is entered, the plan is designated as **Not Started**.

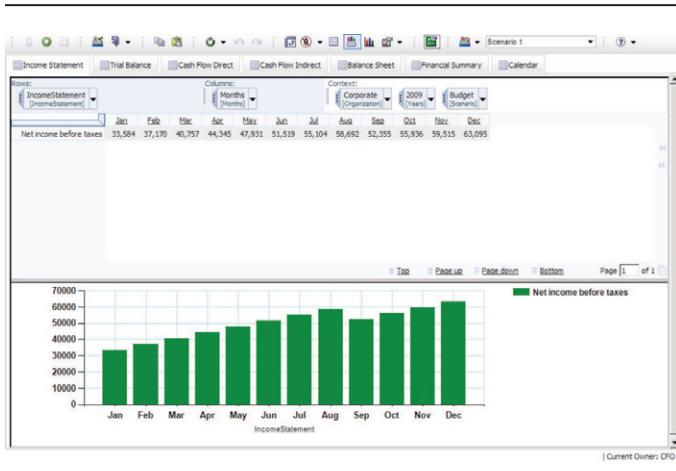
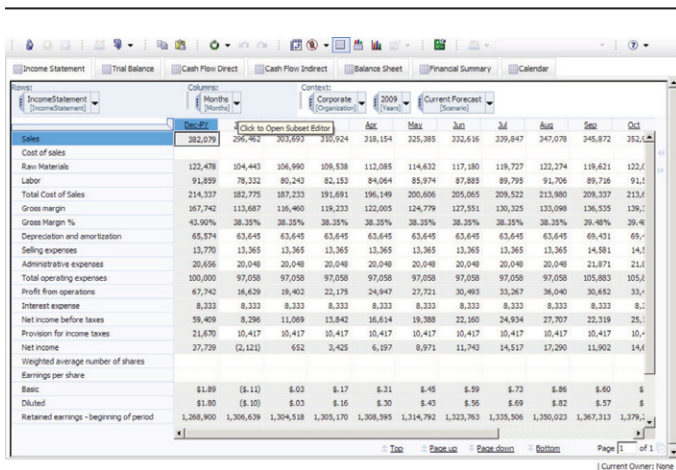
Once a plan is saved, it becomes a **Work In Progress** and remains accessible for further editing. When an item is submitted, the plan is **Locked** and no more changes can be made. The locked state indicates that the plan is ready for review. A reviewer can review the plan in any state, but can only reject a locked plan item. When a locked plan is rejected, it reverts to a work in progress, making it editable once again for plan owners. The following screen capture depicts workflow for a Corporate Financial contributor.

The screenshot shows a table with the following columns: Name, State, Ownership, Reviewer, and Last Data Commit. The table contains one row for 'Corporate' with the following values: State is 'Not Started' (indicated by a red circle icon), Ownership is 'None', Reviewer is 'None', and Last Data Commit is 'Never committed'. Below the table is a 'User Instructions' section.

Name	State	Ownership	Reviewer	Last Data Commit
Corporate	Not Started	None	None	Never committed

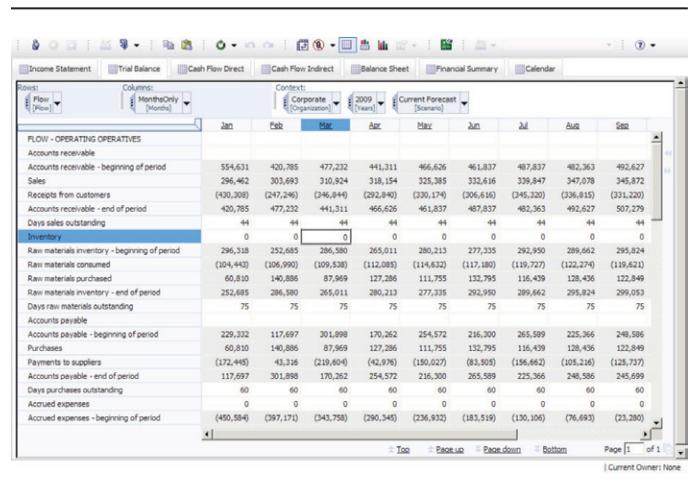
Income Statement

The Income Statement is fed by bottom-up plans developed in other Blueprints, such as the *Expense Planning and Control Blueprint Powered by IBM Cognos Express*. A financial analyst can compare these bottom-up plans to actual data, the current forecast and the previous forecast. The analyst can easily transfer data from the current forecast to the previous forecast and create a new current forecast. The first view of the income statement shows the current monthly forecast for 2009. The second view shows a chart and bar graph. You can create any number of views and graphs “on the fly.”



Trial Balance

The Trial Balance tab links the Income Statement to the Balance Sheet and the Cash Flow (Direct Method). Financial analysts can modify targets such as ‘Days sales outstanding’ by changing the metric directly. Changes made here are automatically reflected in the Balance Sheet and Cash Flow (Direct and Indirect) tabs and you can immediately see the changed financial position of your company.



Cash Flow Tabs

The *Blueprint* supports both the direct and indirect methods of cash flow reporting. The Cash Flow Direct tab displays the cash receipts and payments and the Cash Flow Indirect tab shows the impact of cash change to Balance Sheet Accounts. Neither of these tabs require input. They are immediately updated when changes are made to the Income Statement or Assumptions tabs. .

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Cash flow from operating activities:										
Cash received from customers	430,308	247,246	346,844	293,840	330,174	306,616	345,330	336,815	331,220	359,376
Cash paid to suppliers and employees	(232,850)	(15,233)	(282,836)	(105,280)	(210,590)	(156,156)	(217,932)	(185,304)	(195,281)	(206,740)
Interest paid (net of amount capitalized)	0	0	0	(25,000)	0	0	(25,000)	0	0	(16,667)
Income taxes paid	0	0	0	(20,000)	0	0	0	0	0	0
Net cash from/(used in) operating activities	197,349	232,013	64,008	141,560	119,575	150,460	102,389	151,511	135,929	135,863
Cash flows from investing activities:										
Capital expenditures	0	0	0	0	0	0	0	0	0	0
Net cash from/(used in) investing activities	0	0	0	0	0	0	0	0	0	0
Cash flows from financing activities:										
Net borrowings under line of credit agreement	0	0	0	0	0	0	0	0	0	0
Net proceeds issuance/repayment of long term debt	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of common stock	0	0	0	0	0	0	0	0	0	0
Net cash from/(used in) financing activities	0	0	0	0	0	0	0	0	0	0
Net increase/(decrease) in cash and equivalents	197,349	232,013	64,008	141,560	119,575	150,460	102,389	151,511	135,929	135,863
Cash and cash equivalents at beginning of period	2,712,199	2,909,547	3,141,561	3,205,569	3,347,129	3,466,704	3,617,164	3,719,552	3,871,063	4,006,992
Cash and cash equivalents at end of period	2,909,547	3,141,561	3,205,569	3,347,129	3,466,704	3,617,164	3,719,552	3,871,063	4,006,992	4,142,855

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Cash flow from operating activities:										
Net Income	63,645	63,645	63,645	63,645	63,645	63,645	63,645	63,645	63,645	63,645
Adjustments to net income:										
Depreciation and amortization	133,046	(56,447)	35,900	(25,314)	4,789	(26,000)	5,473	(10,263)	(14,652)	6,345
Change in assets and liabilities:										
(Increase)/decrease in receivables	43,633	(33,896)	21,569	(15,201)	2,877	(15,615)	3,288	(5,162)	(3,226)	3,741
(Increase)/decrease in inventory	(111,635)	184,201	(131,635)	84,330	(38,272)	49,289	(40,223)	23,220	(2,887)	(16,691)
Increase/(decrease) in payables	51,231	55,108	52,324	54,173	58,816	48,647	61,938	45,031	56,613	56,265
Increase/(decrease) in accrued expenses	10,417	10,417	10,417	(9,983)	10,417	10,417	10,417	10,417	10,417	10,417
Increase/(decrease) in income taxes payable	8,333	8,333	8,333	(16,667)	8,333	(16,667)	8,333	(16,667)	8,333	8,333
Increase/(decrease) in interest payable	0	0	0	0	0	0	0	0	0	0
Increase/(decrease) in deferred taxes payable	195,470	231,361	60,383	135,363	110,604	138,717	87,872	134,221	124,027	121,174
Total adjustments	197,349	232,013	64,008	141,560	119,575	150,460	102,389	151,511	135,929	135,863
Net cash provided by operating activities	0	0	0	0	0	0	0	0	0	0
Cash flows from investing activities:										
Capital expenditures	0	0	0	0	0	0	0	0	0	0
Net cash from/(used in) investing activities	0	0	0	0	0	0	0	0	0	0
Cash flows from financing activities:										
Net borrowings under line of credit agreement	0	0	0	0	0	0	0	0	0	0
Net proceeds issuance/repayment of long term debt	197,349	232,013	64,008	141,560	119,575	150,460	102,389	151,511	135,929	135,863
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Balance Sheet

Financial analysts can immediately see changes in assumptions and the income statement on the Balance Sheet tab. This impact on the financial position of the corporation might require repeated iterations if analysts are not satisfied with the result. After the analysts are satisfied with the targets, these can be aligned with the overall strategic objectives and goals.

Assets:	Dec-09	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Cash and cash equivalents	2,712,199	2,939,547	3,141,361	3,205,569	3,247,129	3,465,704	3,617,164	3,719,552	3,871,063	4,006,992
Accounts receivable	554,631	420,785	477,232	441,311	466,626	461,837	487,837	482,263	492,627	507,279
Inventories	296,318	252,688	286,580	365,011	280,213	277,335	292,950	289,662	295,824	299,053
Property, plant and equipment - cost	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Accumulated depreciation	(1,473,908)	(1,537,553)	(1,601,198)	(1,664,843)	(1,728,488)	(1,792,133)	(1,855,778)	(1,919,423)	(1,983,068)	(2,052,499)
Property, plant and equipment - net	3,526,092	3,462,447	3,398,802	3,335,157	3,271,512	3,207,867	3,144,222	3,080,577	3,016,932	2,947,501
Total Assets	7,089,239	7,045,464	7,304,175	7,247,049	7,365,479	7,413,743	7,542,173	7,572,155	7,676,446	7,760,824

Financial Summary

On the Financial Summary tab, you can see the effect of your changes on key ratios.

Rows:	Dec-09	Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	Jul	Aug	Sep	Q3	Oct	Nov	Dec	Q4	Total Year
2009	31	31	28	31	90	30	31	30	91	31	31	30	92	31	30	31	92	365
2010	31	31	29	31	91	30	31	30	91	31	31	30	92	31	30	31	92	366
2011	31	31	28	31	90	30	31	30	91	31	31	30	92	31	30	31	92	365

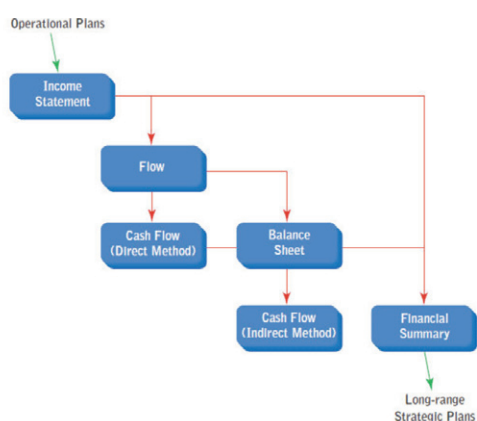
Calendar

This tab may be hidden from the user. Its primary function is to drive the calculations for certain assumptions. For example, “Days Sales Outstanding” would use these to determine monthly receivable ending balances.

Rows:	Q1	Q2	Q3	Q4	Total Year
Earnings Per Share:	0	0	0	0	0
Basic	0.10	1.35	2.19	2.62	6.25
Diluted	0.09	1.28	2.08	2.50	5.95
Revenue Growth	-18.96%	7.14%	5.80%	4.57%	-3.93%
Gross Margin	399,380	374,335	399,958	426,226	1,599,999
Gross Margin %	38.35%	38.35%	38.27%	39.48%	38.75%
Net Income Growth	-88.11%	1275.82%	62.42%	19.95%	-59.23%
Current Ratio	2.42	2.34	2.34	2.33	2.33
Quick Ratio	2.26	2.18	2.19	2.19	2.19
Net Working Capital Ratio	0.28	0.29	0.32	0.34	0.34
Return on Assets	.03%	.36%	.56%	.65%	1.56%
Return on Equity	.06%	.81%	1.29%	1.53%	3.64%
Profit Margin	.21%	2.76%	4.23%	4.85%	3.15%
Assets Turnover Ratio	0.13	0.13	0.13	0.13	0.50
Accounts Receivable:	0	0	0	0	0
Receivables Turnover Ratio	2.06	2.00	2.04	2.07	7.68
Days Sales Outstanding	44	44	44	44	44
Inventories:	0	0	0	0	0
Inventory Turnover Ratio	0.00	0.00	0.00	0.00	0.00
Days Inventory Outstanding	75	75	75	75	75
Debt to Equity Ratio	0.00	0.00	0.00	0.00	0.00
Interest Coverage Ratio	2.33	3.33	4.00	4.38	3.50
Net Income Pad	0.00	0.00	0.00	0.00	0.00

Flowchart

The following flowchart illustrates how this *Blueprint* fits into the company planning process.



About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of [business intelligence](#), [advanced analytics](#), [financial performance and strategy management](#) and [analytic applications](#) gives you clear, immediate and actionable insights into current performance and the ability to predict future outcomes.

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