

Day 2 - Finance Block Progress Report

Today's focus was on extending the financial model created on Day 1 to include key financial ratios and strengthen the income statement + balance sheet integration. The aim was to align every formula with first principles thinking, ensuring clarity, accuracy, and audit-readiness.

1. Updated Financial Statements

The model now contains an integrated Income Statement, Balance Sheet, and Cash Flow Statement with correct linkages. Key updates included:

- Refining the balance sheet to reflect accurate retained earnings and total assets.
- Correctly linking net income across statements.
- Ensuring cash flow adjustments align with working capital and debt repayment.

2. Financial Ratios Added

The following core ratios were added to the model with primary formulas:

Ratio	Formula
Gross Profit Margin	$(\text{Revenue} - \text{COGS}) / \text{Revenue}$
Net Profit Margin	$\text{Net Income} / \text{Revenue}$
Return on Assets (ROA)	$\text{Net Income} / \text{Average Total Assets}$
Return on Equity (ROE)	$\text{Net Income} / \text{Average Total Equity}$
Debt-to-Equity Ratio	$\text{Total Liabilities} / \text{Total Equity}$
Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$

3. Key Learnings

Understanding the connection between profitability, asset utilization, and leverage was critical today. The emphasis was not just on calculation but on ensuring that every number tells a story about the business's operational health.

This concludes Day 2 of the Finance Block. Tomorrow's focus will shift to deepening ratio interpretation and preparing for scenario-based modeling.