Introduction to financial modeling

FINANCIAL MODELING IN EXCEL

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datacamp

Expectations

- Hands-on experience in a financial model

- No need for any financial background!

- Prerequisites:
    - **Data Preparation in Excel**
    - **Data Analysis in Excel**

Welcome to the Streit

- Newly hired Junior Analyst

- Streit is a fictional real estate firm

- **Real estate investment trusts (REITs)** own and operate real estate investments

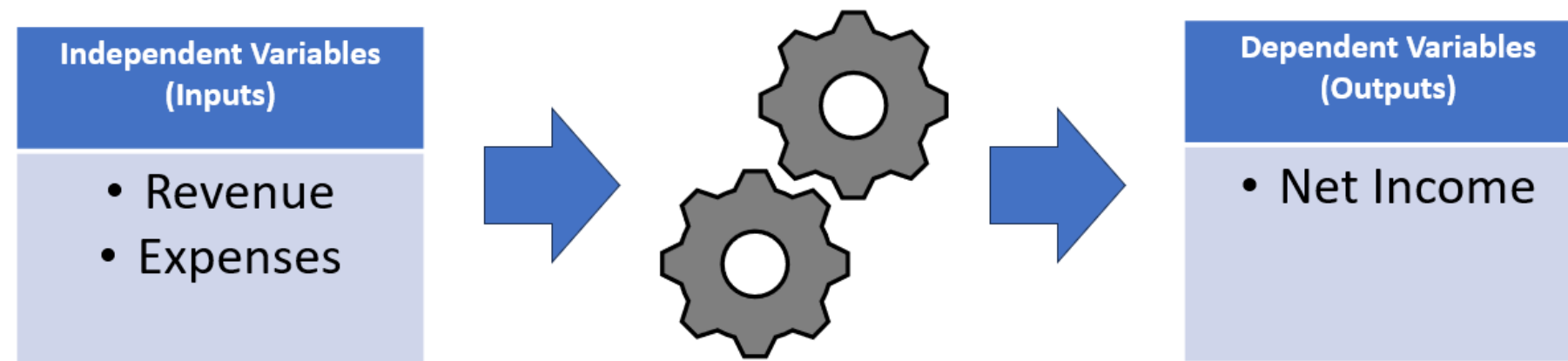- Use **financial modeling** to find good investments

Financial modeling

- A **financial model** is a mathematical representation of a real-world financial situation
  - Used to make predictions or analyze financial performance

  - Historical data and assumptions

  - Answer financial questions

  - Many different types of financial models

Independent versus dependent

- **Independent variables** derive their value from outside of the model
  - They are the inputs of the analysis

- **Dependent variables** derive their value from the model and rely on inputs
  - They are the observed output of the analysis

Example: `Net Income = Revenue – Expenses`

Financial model color coding

Color Coding Cells in Financial Models	
Blue	
Black	
Green	
Red	

[1] https://www.wallstreetmojo.com/financial-modeling-colour-formatting/

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Red	*External links and references*

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Income statements (profit and loss)

Income Statement for Your Local Movie Theatre, LLC		
	Ticket Sales	100,000
	Popcorn	50,000
Total Revenue		**150,000**
	Building	(30,000)
	Royalties	(20,000)
Total Expenses		**(50,000)**
Net Income		**100,000**

Income statements (profit and loss)

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Subtotal

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