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TERMS EXPLAINED



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**PLANNING
&
FORECASTING**



1. Cost and revenue drivers

Factors that directly influence the expenses and income of a business, respectively, shaping its financial performance.

2. Value drivers

Elements within a business that significantly contribute to its overall worth or valuation, often including aspects like revenue growth, market share, and operational efficiency.

3. Financial plan components

Encompass all the essential elements and strategies involved in managing a company's finances, including budgeting, forecasting, investment plans, and capital allocation.

4. Long-term vs. short-term plans

Refer to strategic and operational objectives set for an extended period, typically over multiple years, contrasted with those designed to achieve immediate or near-future goals within a shorter timeframe.

5. Forecasting techniques

Analytical methods used to predict future financial outcomes based on historical data, market trends, and various statistical models, aiding in decision-making and planning processes.

6. Data and assumptions collection

The systematic gathering and organization of relevant information and underlying beliefs used to inform decision-making and forecasting processes within a business or project.



7.A rolling forecast

Dynamic financial forecasting approach that continuously updates and extends a company's financial projections over a specified period, typically by replacing the oldest period with a new one as time progresses.

8.Revenue planning

Involves developing strategies and objectives to generate income streams for a business, including sales forecasts, pricing strategies, and revenue growth initiatives.

9.Gross profit planning

Focuses on optimizing the profitability of a company by strategically managing factors such as production costs, pricing strategies, and sales volumes to maximize gross profit margins.

10.NWC (Net Working Capital) planning

Involves managing a company's short-term liquidity by effectively balancing its current assets and liabilities, ensuring sufficient working capital to support day-to-day operations.

11.CAPEX (Capital Expenditure) planning

Involves budgeting and allocating funds for long-term investments in assets such as property, plant, and equipment, aimed at improving productivity, efficiency, and competitiveness.

12.Debt forecast

Predict a company's future borrowing needs, interest payments, and debt servicing obligations based on factors such as growth plans, capital expenditures, and refinancing strategies.



13.OPEX (Operating Expenditure) planning

Involves budgeting and managing a company's day-to-day operational expenses, including salaries, rent, utilities, and other overhead costs, to ensure efficient resource utilization.

14.Headcount planning

Involves forecasting and managing the number of employees required to support business operations, considering factors such as growth projections, workforce productivity, and organizational structure.

15.Salaries planning

Involves budgeting and allocating funds for employee compensation and benefits, considering factors such as market trends, performance evaluations, and labor regulations.

16.Financial statement projection

The process of estimating future financial statements, including the balance sheet, income statement, and cash flow statement, based on assumptions and forecasts about the company's operations and financial performance.

17.Consistency checks

Procedures used to ensure the accuracy and reliability of financial data by verifying that figures and calculations remain consistent across different financial statements, reports, and periods.

18.Financial plan revision

Involves periodically reviewing and updating a company's financial plans and strategies in response to changes in market conditions, business performance, and strategic objectives, ensuring alignment with current goals and priorities.



BUDGETING



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19. Budgeting process

Systematic approach of creating, implementing, and monitoring a financial plan to allocate resources and achieve organizational goals.

20. Traditional budgeting

Involves using historical data as a baseline to incrementally adjust expenses and revenues for the upcoming period.

21. Zero-based budgeting

Requires each expense to be justified from scratch, starting with a baseline of zero and prioritizing allocation based on necessity and efficiency.

22. Capital budgeting

The process of evaluating and selecting long-term investment projects to allocate financial resources effectively.

23. Revenue budgeting

Entails forecasting and planning income streams for a specific period, guiding sales targets and pricing strategies.

24. Expense budgeting

Involves estimating and allocating resources for various operational costs and expenditures within a defined timeframe.

25. Budgeting model

Refers to the framework or methodology used to structure and analyze financial data, guiding the budgeting process and decision-making.



ANALYSIS



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26. Balance Sheet Analysis

Involves evaluating a company's financial health by examining its assets, liabilities, and equity to assess solvency, liquidity, and overall stability.

27. Income Statement Analysis

Entails scrutinizing a company's revenues, expenses, and profits over a specific period to gauge operational efficiency, profitability, and performance trends.

28. Cash Flow Analysis

Focuses on examining the inflows and outflows of cash within a business to assess its ability to generate cash, meet financial obligations, and sustain operations.

29. Budget Variance Analysis

Involves comparing actual financial performance against planned or budgeted figures to identify discrepancies and understand the reasons behind them.

30. Profitability Analysis

Examines a company's ability to generate profit relative to its costs and investments, often using metrics like gross profit margin, net profit margin, and return on investment.

31. Liquidity Analysis

Assesses a company's ability to meet short-term financial obligations by analyzing its cash reserves, current assets, and current liabilities.



32. Financial Structure Analysis

Involves evaluating the composition of a company's capital, including debt and equity, to understand its financial leverage, risk exposure, and stability.

33. Free Cash Flow Analysis

Calculates the cash generated by a company after accounting for capital expenditures, providing insight into its ability to invest in growth opportunities, pay dividends, and reduce debt.

34. Cost Analysis

Examines the expenses incurred by a company across various activities or departments to identify areas of inefficiency, control costs, and improve profitability.

35. Investment Appraisal Techniques

Methods used to evaluate the financial viability and potential returns of investment opportunities, aiding decision-making processes by assessing risks, costs, and benefits.

36. Valuation Techniques

Involve using different methods, such as discounted cash flow, comparable company analysis, and asset-based valuation, to determine the intrinsic value of a business or investment.

37. Trend Analysis

Involves examining historical data and identifying patterns or trends over time to forecast future performance, make informed decisions, and anticipate changes in the business environment.



MANAGEMENT REPORTING



38. Reporting layouts

Refer to the structured arrangement and presentation of information in reports to convey data effectively and facilitate understanding.

39. A dashboard

Visual representation of key performance indicators and metrics that provides real-time insights into the performance of a business or project.

40. Reports for decision making are

Documents that present relevant data and analysis to support strategic and operational decisions within an organization.

41. Quarterly vs. annual reports

Financial statements and performance summaries issued by companies either every three months or once a year, respectively, to provide stakeholders with updates on financial performance and activities.

42. Investor relations

Involve managing communication and relationships between a company and its investors, including providing timely and accurate information, addressing inquiries, and fostering transparency.

43. Non-financial reporting

Encompasses the disclosure of information beyond financial performance, including environmental, social, and governance (ESG) factors, to provide a comprehensive view of a company's sustainability and impact.



44.ESG reporting

Involves disclosing information on environmental, social, and governance practices and performance to stakeholders, investors, and the public to demonstrate corporate responsibility and sustainability efforts.

45.Data inputs and management

Involve collecting, organizing, and maintaining data from various sources to ensure accuracy, reliability, and accessibility for analysis and decision-making purposes.

46.Data visualization

Graphical representation of data and information using charts, graphs, and other visual elements to convey complex concepts and patterns in a clear and understandable manner.



COMMUNICATION



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47. Understanding the audience

Involves comprehending the demographics, interests, and needs of the individuals or groups who will receive and interpret a message or presentation.

48. Storytelling importance

Highlights the crucial role of narrative structure and engaging storytelling techniques in effectively communicating information, capturing attention, and conveying meaning.

49. Visualizing financial data

Refers to the process of using graphs, charts, and other visual elements to represent numerical information in a way that enhances comprehension, analysis, and communication.

50. Persuasive financial presentation

Involves delivering financial information and insights in a compelling and influential manner to influence decision-making, gain support, and drive desired outcomes.



MODELING



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51. Modeling techniques

Involve using various mathematical and statistical methods to represent real-world scenarios and make predictions or analyses.

52. The modeling process

Systematic approach of designing, constructing, and refining mathematical models to simulate and understand complex systems or phenomena.

53. Building a model

Entails creating a mathematical representation of a system, process, or concept to analyze its behavior, make predictions, or support decision-making.

54. Modeling automation

Refers to the use of software tools and algorithms to streamline and expedite the process of creating, running, and analyzing mathematical models.

55. Use of assumptions

Involves incorporating educated guesses or simplifications about uncertain variables or conditions into a model to make predictions or perform analyses.

56.3 statements model

Integrates the income statement, balance sheet, and cash flow statement to provide a comprehensive financial representation of a business.



57. An operating model

Defines how a business operates and generates value, encompassing its processes, organizational structure, capabilities, and resources.

58. A finance model

Mathematical representation of financial processes, such as budgeting, forecasting, or investment analysis, to support financial decision-making.

59. Layouts and model types

Refer to the structure and format of mathematical models, which can vary based on the complexity of the system being modeled and the intended use.

60. DCF (Discounted Cash Flow) Model

Valuation method that estimates the present value of future cash flows to determine the intrinsic value of an investment.

61. LBO (Leveraged Buyout) Model

Financial model used to evaluate the acquisition of a company using a significant amount of borrowed funds.

62. M&A (Mergers and Acquisitions) Model

Financial model used to analyze and evaluate the financial impact of mergers, acquisitions, or divestitures.



63. Model outputs

Results or findings generated by running a mathematical model, which can include predictions, analyses, or recommendations.

64. Advanced Excel formulas

Complex functions and calculations used in Excel spreadsheets to perform sophisticated data analysis, manipulation, and modeling tasks.

65. Error checking

Involves reviewing and verifying the accuracy and integrity of data inputs, calculations, and outputs in a mathematical model to identify and rectify errors.

66. Model validation

Process of assessing the accuracy, reliability, and validity of a mathematical model by comparing its outputs to real-world data or established benchmarks.



KPIs



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67.KPI vs Business objectives

Key Performance Indicators (KPIs) are measurable metrics used to track progress toward achieving specific business objectives.

68.Designing Effective KPIs

Involves creating measurable, relevant, achievable, and time-bound metrics aligned with business goals to monitor performance accurately.

69.Financial vs Non-Financial KPIs

Financial KPIs measure performance using monetary values, while non-financial KPIs assess other aspects such as customer satisfaction or employee engagement.

70.Quantitative and Qualitative KPIs

Quantitative KPIs are measurable metrics expressed in numerical terms, while qualitative KPIs assess performance based on subjective factors such as quality or perception.

71.Benchmarking

Benchmarking involves comparing performance metrics against industry standards or competitors to identify areas for improvement and best practices.

72.KPIs Driven Decisions

Making decisions based on KPIs involves using performance metrics as primary indicators to guide strategic and operational choices.



73. EBITDA (adjustments)

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) adjusted for specific items to provide a clearer picture of a company's operating performance.

74. ROCE (Return on Capital Employed)

ROCE measures a company's profitability relative to the capital invested in the business, indicating how efficiently capital is being used to generate profits.

75. ROIC (Return on Invested Capital)

ROIC evaluates the returns generated by a company's investments, considering both debt and equity financing.

76. ROE (Return on Equity)

ROE measures a company's profitability relative to shareholder equity, indicating how effectively it is generating profits from shareholders' investments.

77. Profitability index

Profitability index compares the present value of future cash flows to the initial investment, helping assess the profitability of an investment opportunity.

78. Net Present Value (NPV)

NPV calculates the present value of future cash flows discounted at a specified rate, indicating the profitability of an investment project.



79. IRR (Internal Rate of Return):

IRR is the discount rate at which the NPV of an investment equals zero, representing the rate of return generated by an investment.

80. EVA (Economic Value Added)

EVA measures a company's financial performance by comparing its net operating profit after tax to the cost of capital employed.

81. FCFF (Free Cash Flow to Firm) vs FCFE (Free Cash Flow to Equity):

FCFF measures the cash generated by a company's operations available to all investors, while FCFE measures the cash available to equity shareholders after accounting for debt financing and other obligations.





STRATEGIC



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82. Business partnering

Involves collaborating closely with various departments within an organization to align financial strategies with overall business objectives and drive decision-making.

83. Value creation

Refers to the process of enhancing shareholder value through initiatives that increase revenue, reduce costs, improve efficiency, or optimize resources.

84. Risk management

Involves identifying, assessing, and mitigating potential threats or uncertainties that may affect a company's ability to achieve its objectives or safeguard its assets.

85. Strategic planning

Process of defining an organization's long-term goals and determining the actions required to achieve them, considering internal capabilities and external factors.

86. Strategic performance measurement

Involves evaluating the effectiveness of strategic initiatives and activities in achieving organizational objectives through the use of key performance indicators (KPIs).



87.FP&A role in M&A

Involves providing financial analysis and insights to support decision-making during the merger or acquisition process, including due diligence, valuation, and integration planning.

88.FP&A role in valuation

involves conducting financial analysis and modeling to assess the value of a company or investment opportunity, considering factors such as cash flows, risk, and market conditions.



TOOLS & AI



89.Tools for data processing

Encompass software and applications designed to manipulate, analyze, and interpret large volumes of data efficiently, such as database management systems, data visualization tools, and statistical software.

90.Advanced Excel for FP&A

Involves leveraging complex formulas, functions, and features within Microsoft Excel to perform sophisticated financial analysis, modeling, and reporting tasks.

91.Power BI

Business analytics tool by Microsoft used for data visualization, interactive dashboards, and business intelligence insights, enabling users to transform raw data into actionable insights.

92.Chat GPT for Finance

Refers to utilizing conversational AI models like GPT (Generative Pre-trained Transformer) tailored for finance-related tasks, such as financial analysis, forecasting, and customer support.

93.Digital tools in storytelling

Involve using technology platforms and multimedia elements, such as interactive presentations, animations, and videos, to create engaging and impactful narratives for communicating financial information.



94. Microsoft Copilot

AI-powered code completion tool integrated with development environments like Visual Studio Code, assisting users in writing code more efficiently by providing context-aware suggestions and auto-completion.

95. Tech trends in FP&A

Encompass emerging technologies and innovations shaping the future of financial planning and analysis, such as artificial intelligence, machine learning, automation, and block chain, to enhance decision-making, efficiency, and agility in financial management processes.



SCENARIO ANALYSIS



96. Best/worst case scenario

Involves evaluating potential outcomes of a decision or event by considering the most optimistic and pessimistic possibilities, helping to assess risks and opportunities.

97. Monte Carlo simulation

Computational technique that generates multiple possible outcomes of a model by randomly sampling input variables, enabling probabilistic analysis and risk assessment.

98. Stress testing

Involves subjecting a financial model, system, or portfolio to extreme or adverse scenarios to evaluate its resilience and identify vulnerabilities under adverse conditions.

99. Sensitivity analysis

Examines how changes in input variables affect the output of a model, helping to understand the impact of uncertainty and assess the robustness of decisions.

100. Break-even analysis

Calculates the point at which total revenues equal total costs, indicating the level of sales or production needed for a business to cover its expenses and start generating profits.

