Financial Modeling Institute

AFM SKILLS CHECKLIST

A strong candidate will need to demonstrate proficiency in the following Excel, accounting and financial modeling topics to pass the AFM exam.

Use this checklist to determine your exam readiness.

Section 1: Excel

1.1 Formatting and Shortcuts

- ☐ Custom Formatting Techniques
- ☐ Use Keyboard Shortcuts (Hotkeys)
- ☐ Use Keyboard Shortcuts (Menus)

1.2 Logical Functions

- ☐ Math and rounding functions
- ☐ IF function
- ☐ AND function
- ☐ OR function

1.3 Lookup and Reference Functions

- ☐ CHOOSE function
- ☐ VLOOKUP function
- ☐ HLOOKUP function
- ☐ OFFSET function
- ☐ INDEX function
- ☐ MATCH function
- ☐ XLOOKUP function

Section 1: Excel

1.4 Working with Text and Dates

- ■ Use various date functions
- ■ CONCATENATE function
- ■ TEXT function

1.5 Scenario Analysis

- ■ Run scenario analysis to manage risk
- ■ Use drop-down menus or Data Validation

1.6 Circular References

- ■ Understand model circularity and why some professionals use it and others don’t
- ■ Locate and manage circular references
- ■ Eliminate non-intentional circular references
- ■ Formula error checking

1.7 Printing and Formatting

- ■ Create dynamic headers and footers
- ■ Set the print area and print titles

Section 2: Accounting

2.1 Accounting Fundamentals

- Structure the financial statements
- Understand the Income Statement
- Understand the Cash Flow Statement
- Understand the Balance Sheet
- Key linkages between the financial statements
- Business activities

Section 3: Model Design and Checking

3.1 Financial Modeling Design

- Identify relevant information in the company's financial statements and notes
- Develop reasonable assumptions
- Create the ability to run different scenarios
- Incorporate good modeling practices
- Build models with different styles and layouts
- Use clean model design that is easy to follow electronically or if printed

3.2 Integrity and Error Checking

- Identify errors using various troubleshooting techniques
- Find unidentified hard codes quickly and easily
- Use Excel to show the formulas underlying output
- Use Excel to find inconsistencies in the model
- Use Excel’s auditing tool to trace formulas
- Use Excel tools to help with integrity checking
- Perform audit trails

Section 4: Finance

4.1 Operating and Financial Schedules

- Build a detailed revenue forecast based on price per unit and number of units sold
- Ensure business is not operating at greater than capacity
- Analyze and make reasonable projections for operating costs including fixed and variable costs
- Fixed assets schedule – includes capital expenditure and depreciation
- Intangible assets
- Working capital schedule
- Income tax schedule showing the difference between accounting and taxable income which gives rise to deferred income tax

Section 4: Finance

4.2 Capital Structure Modeling

- ■ Model a detailed debt schedule
- ■ Incorporate different types of debt including senior secured term debt and a revolving credit facility
- ■ Include a cash sweep on certain types of debt
- ■ Calculate interest on cash and debt balances
- ■ Model Common Stock, Additional Paid-in Capital and Preferred Stock accounts
- ■ Incorporate dividends, share issues and repurchases
- ■ Understand differences between authorized, issued, and outstanding shares
- ■ Calculate coverage and leverage ratios

4.3 Three Statement Modeling

- ■ Build 3-statement projections
- ■ Construct the Income Statement, Cash Flow Statement and Balance Sheet