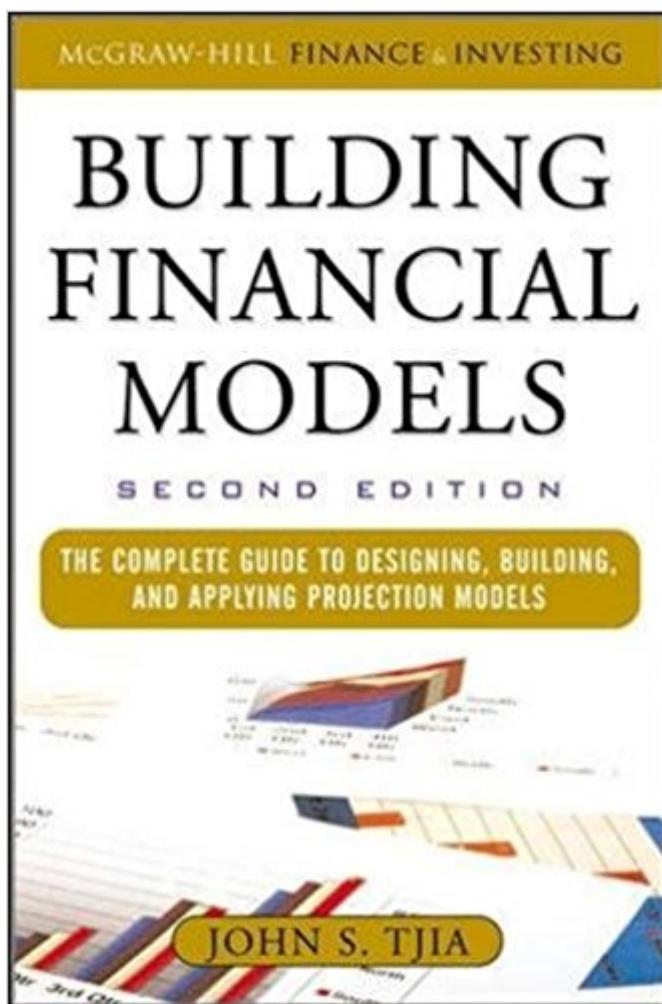


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# Building Financial Models (McGraw-Hill Finance & Investing)



## Synopsis

The ability to effectively create and interpret financial models is one of the most valued skills in corporate finance--from Wall Street to Main Street. Now, the acclaimed guide to designing, building, and implementing valuation projection models is fully revised and expanded to keep finance and accounting professionals competitive in today's marketplace. This second edition of *Building Financial Models* continues the tradition of its predecessor by providing a hands-on approach to creating a core model that is supported by broad coverage of cornerstone accounting and finance principles. Additionally, this updated volume features: Entirely new coverage of discounted cash flow (DCF) modeling Excel formulas for making powerful calculations within the spreadsheet In-depth explanations of both the principles and mechanics of projection models *Building Financial Models* helps readers practice good thinking and apply sound knowledge of their tools--two key attributes to producing robust and easy-to-use models. This practical guide takes you step by step through the entire process of developing a projection model, with a full chapter dedicated to each phase. By the end, you will have a working, dynamic spreadsheet financial model for making projections for industrial and manufacturing companies. Furthermore, this Second Edition provides the vocabulary and syntax of model building so you can tailor core models to fit any size company and allow for quick input changes to test sensitivity. The companion website [www.buildingfinancialmodel.com](http://www.buildingfinancialmodel.com) offering example spreadsheets will give you a head start on developing your own models. A flexible and successful financial projection model does more than just add numbers--it explains the complex relationships between those numbers and illuminates ways to use those associations to add value to an enterprise. *Building Financial Models* is the only book you need to create and implement a fluid financial projection model that is both state of the art and user friendly.

## Book Information

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## Customer Reviews

The most up-to-date guide available for designing, building, and implementing valuation projection models This updated and augmented second edition of Building Financial Models provides a state-of-the-art method for creating projection models that will accurately determine a company's valuation today and its earnings and profits tomorrow. Complete with brand new material on discounted cash flow (DCF) modeling and an accompanying website with example spreadsheets, Building Financial Models is the most comprehensive guide to real-world projection modeling available. Globally recognized by accounting and finance professionals for its proven step-by-step approach, this hands-on road map to projection model design and implementation features: An overview of projection models--what they are, how they are used, and how they vary between industries In-depth explanations of the accounting and finance concepts that underpin working financial models Detailed directions for using spreadsheet software to create dynamically powerful financial models Clear strategies for producing and using a projection model that allows the user to change inputs quickly for sensitivity testing Building Financial Models is a single, go-to resource that offers unparalleled depth of coverage and breadth of topic. Get started on Building Financial Models now to develop the skills you need to stay competitive in today's corporate finance arena.

John S. Tjia is a founding partner of TMG Associates, LLC, a consulting firm that specializes in financial modeling for corporate finance. A former vice president at JPMorgan Chase, he has taught modeling and valuation classes to hundreds of analysts and associates.

John Tjia's involvement with the first financial projection model on a mainframe several decades ago and his ongoing work building models for prominent financial sector firms gives him a unique perspective. His book provides straightforward steps for creating integrated financial statement projection models and helpful explanations of the related operating, investing and financial variables that projections are based upon. As with any good introductory text there are plenty of definitions for new terms/concepts such as: one-off model versus template model; integrated financial statement projection model; iteration; the revolver and circular references.

Emphasis is also placed upon streamlining the modeling process by determining whether the model under consideration will be: an annual or quarterly model; full-blown or quick & dirty model and what questions will it answer. A *best practices* chapter lists common sense refinements that make spreadsheets more readable such as color coding input cells and having one location for all input values that are referenced throughout the model using absolute and mixed cell addresses. At the midpoint of the book a simple model is introduced, the five subsequent chapters each add a layer of complexity to that model. The book ends with two chapters that introduce Visual Basic in a thorough yet interesting manner. Please note that since the first edition of Tjia's book predates other Financial Modeling textbooks, he makes no assumptions about his readers having any background in financial modeling and explains everything in great detail. Hence the acquisition of Tjia's book will significantly enhance your arsenal of financial modeling reference materials.

This is a well thought and structured book that takes you step by step through the process of financial modeling. If you want to understand how financial statements are linked, this is a great book. This type of teaching isn't easily available out there and anyone who is starting in this field should definitely consider it. Although I could have missed the following instruction in the reading, the author should advise readers to do all the Excel work from scratch in order to get the most from this book. The author uploaded the Excel work for anyone to see and download, which could mislead folks to underestimate the intricacies about building a model on their own.

The second edition is an outstanding primer on building models. The book is both for college students and senior finance professionals with or without excel experience. The book does a great job of explaining excel functions and how to use excel. The book guides you through building a model which can balance through both the balance sheet and or the statement of cash flow, which is fantastic and no other modeling book does. The photo shots of the excell sheets and the formulas used is a huge help in seeing the big picture. The author does a superb job of explaining the cash and debt sweep scenarios ( a most complicated excel topic) and lays it out in a manner that is easy to understand. This is a must have book for every person that is learning to build models.

I purchased this book to help me review some key financial modeling topics. The author does a great job of explaining several different methodologies for using plugs with financial statements. In addition, the author presents several nice methods for dealing with the dreaded interest-debt

circular reference issue that is common in many banker models. One of the nicest thing is the author utilizes a few example spreadsheets that are further developed throughout the book by adding more complex logic. I would definitely recommend purchasing this book to add to your finance reference book library for work.

This is a great book. It clearly lays out the framework upon which you can quickly build a reliable, reusable and modifiable model. Strongly recommend!

Very good book especially for those with minimal modeling knowledge. Teaches everything from scratch starting with excel functions and takes you step by step through the basics and providing an excellent modeling foundation.

This is a well written book, that takes and guides you gently through the intricacies of building financial models. It demonstrates practical examples and allows you to practice with live examples. Recommended reading for all investment bankers.

Very helpful for people to wish work with financial models.

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