

NBFC

FINANCIAL MANAGEMENT
SYSTEM FOR
PROFESSIONALS

NBFC Financial Management System Overview

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NBFC Financial Management System Overview

The **NBFC Financial Management System for Professionals** is a powerful and full-featured practice management tool for analyzing financial performance, creating prospective financial statements, and performing a number of related internal and external consulting engagements. With this system, the finance professional can create:

- Forecasts and projections
- Pro forma financial statements
- Recast historical financial statements
- Business plans
- Financing plans
- SBA and bank loan packages
- Financial projections and cash flow planning reports
- "What-if" scenarios
- Company budgets
- Departmental and project budgets
- Mergers and acquisitions due diligence analyses and reports
- Business valuations
- Sellers memorandums
- Solvency analyses
- Workout plans, analyses, and reports
- Trend analyses, industry comparisons, and benchmark analyses and reports
- Financial ratio analyses and reports
- Capital budgeting decision analyses and reports
- Current asset availability analyses and reports
- Breakeven analyses and reports
- Lease vs. buy analyses and reports
- Cost of capital analyses and reports
- ROI analyses and reports
- Loan amortization schedules



The NBFC System is designed for use by:



- CPAs and other Public Practitioners
- CFOs
- Controllers
- Budget Analysts
- Management Accountants
- Financial Analysts
- Business Planning Consultants
- Valuation Consultants
- Turnaround Specialists
- M&A Consultants
- Bankers

SYSTEM COMPONENTS INCLUDE:



- Automated spreadsheet and word processing templates
- Engagement checklists, work plans, and control checklists.
- Field data gathering forms and questionnaires.
- Fully documented users manuals including discussion and practical application of theory.
- Multi-media tutorial (currently under development).
- Telephone and on-site user support available (contracted separately).

SYSTEM REQUIREMENTS:

- Microsoft Office 2000 or newer
 - 100MB free disk space
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OVERVIEW

Over the last decade, there has been increasing demand and a growing trend for public practitioners to assume an even greater management advisory role and expand their consulting services and for management accountants to focus more on analyzing operations rather than just producing financial data. Our mission has been to help finance professionals meet these demands and better serve their constituents by creating tools that enable them to provide these kinds of services professionally and profitably.

The NBFC System has been in continuous development since 1990, is the fruit of over 8,200 hours of programming, and has been field tested in over 150 projects. The result is a mature, practical, and proven solution that is able to consistently meet the demands of the situation. Our experience has shown that in order for this type of tool to be of practical value, it must:

- Be able to accurately simulate future business activity under a wide variety of internal and external conditions
- Comply with GAAP and be able to handle the complex accounting requirements frequently encountered in those real life situations
- Produce presentation-quality reports
- Be spreadsheet-based and not in any way be dependent on the use of a separate database application
- Be fully integrated to minimize the need for entering data more than once
- Be highly customizable and allow the practitioner to easily link his or her own worksheets into the model
- Provide expert guidance, be well documented, and require only basic spreadsheet skills to operate
- Be full-featured, yet still be fast and relatively easy to use, especially for practitioners who might not use the program everyday

NBFC Financial Management System Overview

- Provide a highly efficient means for interacting with clients/internal staff and gathering and processing field data
- Work within the practical limitations of the amount of information (or lack thereof) that is typically available
- Be fast and allow the practitioner to provide a service within tight time frames and budget constraints
- Have the ability to project and analyze cash flows, capital requirements, and ROI/ROA/ROE, etc., with pinpoint accuracy, especially in the case of distressed businesses
- Allow all future activity to be modeled in units and current dollars and be automatically adjusted for the effects of inflation/deflation. This is most important in situations where 1) a distressed company needs accurate feedback on the financial results of their turnaround strategy, 2) an early-stage or fast growth company needs to accurately model the effects of their short and long-term development strategies, and 3) where a company's financial position, results of operations, and cash flows are impacted by high inflation and/or devaluation of currencies.

SYSTEM FEATURES

The NBFC System effectively addresses these issues and more. Major features include:

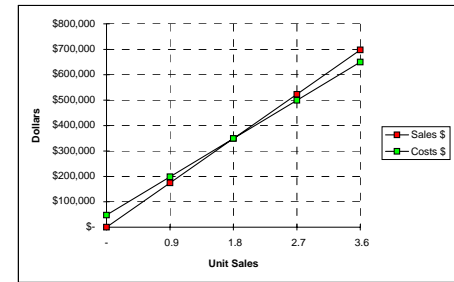
- Powerful, time-saving macros to help automate the entry of repetitive information and complex formulas.
- Extensive library of frequently used algorithms and financial models.
- Linked workbooks minimize the need to re-enter data.
- Spreadsheet platform allows for maximum speed, flexibility, and customization of templates and integration with your own financial templates.
- Pre-formatted schedules allow for easy printing and crisp presentation.
- Logical, easy-to-follow user interface.
- On-line, context-sensitive help.
- Automated quality control worksheets for analyzing the output and verifying the integrity and completeness of the data.
- Straightforward, step-by-step instruction manual including practice tips and tutorial.
- Spreadsheet templates require only basic skills– you don't have to be a power user.
- Prospective financial statements schedules conform to GAAP.
- Financial ratios analyses reports conform to RMA categories to facilitate industry comparisons.
- Checklists and work plans are fully integrated with *Practitioners Publishing Guide to Forecasts and Projections, Guide to Buying and Selling Small Businesses, Guide to Troubled Businesses and Bankruptcies, and Guide to Business Valuations.*
- CPE credits available.



HISTORICAL FINANCIAL ANALYSIS TEMPLATES

- Presentation and analysis of up to 5 years historical plus interim financial statements.
- Separate presentation and analysis for last 12 months of operations.
- Unlimited number of balance sheet categories, P&L categories, loans, and asset additions.
- Fully integrated charts package includes revenue and earnings history trends, common size statements analyses, and break-even analyses.
- Templates include sections for making recast adjustments and analysis.
- Trend analysis report highlights significant trends, benchmarks, and performance metrics.
- Templates automatically generate financial ratio analysis reports.
- Balance sheets and financial ratio analysis schedules conform to RMA *Annual Statement Studies* to facilitate industry comparison.
- Module includes instructions, templates, and checklists for creating an Historical Financial Analysis report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.

HISTORICAL BREAKEVEN ANALYSIS
Based on Recast Historical Financial Statement for the F.Y.E. Jun 01



Total Unit Sales	Total Sales \$	Variable Cost \$	Gross Margin \$	Fixed Cost \$	Total Costs \$	Profit/ (Loss) \$
-	\$ -	\$ -	\$ -	\$ 47,878	\$ 47,878	\$ (47,878)
0.9	\$ 174,464	\$ 150,525	\$ 23,939	\$ 47,878	\$ 198,402	\$ (23,939)
1.8	\$ 348,927	\$ 301,050	\$ 47,878	\$ 47,878	\$ 348,927	\$ -
2.7	\$ 523,391	\$ 451,575	\$ 71,816	\$ 47,878	\$ 499,452	\$ 23,939
3.6	\$ 697,855	\$ 602,100	\$ 95,755	\$ 47,878	\$ 649,977	\$ 47,878

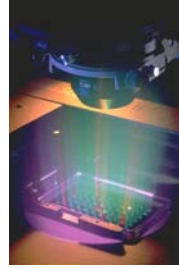
Avg mo. fixed costs	\$47,878	Avg fixed costs (cash)	\$46,028
Variable cost %	86.3%	Variable cost % (cash)	86.3%
Gross contrib. margin	13.7%	Gross margin (cash)	13.7%
Break-even/month	\$348,927	Cash break-even	\$335,450
Average unit sale	\$196,121	Financial leverage	0.5
Operating leverage	-13.3	Total leverage	-6.7

PROSPECTIVE AND PRO FORMA FINANCIAL STATEMENTS MODELING AND REPORTING TEMPLATES

- Presentation and analysis of up to 5 years prospective (by month).
- Fully supports continuous and annual planning cycles. Rolling forecasts (up to eight quarters for a standalone company, four quarters for consolidated groups). Designed for CFO's as a critical adjunct to enterprise level planning solutions, powerful enough in many cases to serve as the main budget tool.
- First year P&L projections can be combined with year-to-date actuals to match the company's fiscal year reporting.
- Unlimited number of balance sheet categories, P&L categories, loans, and asset additions.
- Automates tedious tasks with several built-in formulas and calculators that save time and promote accuracy.
- Model includes both unit-based and dollar-based options for forecasting sales, production, and direct costs of sales.
- Powerful sales projections calculator automatically computes sales adjusting for seasonal variations, growth rates, and inflation. Algorithm develops a smooth growth curve and eliminates "stair case" effect.

NBFC Financial Management System Overview

- Special revenue recognition model for manufacturing businesses allows for full cost absorption method for valuing inventories, separate accounting for raw materials and WIP/finished goods inventories, and production scheduling model.
- Special revenue recognition model for contractor businesses includes provision for Costs and Earnings in Excess of Billings, Billings in Excess of Costs and Earnings, and full retention accounting and cash management.



- Special revenue recognition models for installment sales and deferred revenues.
- Automatic and GAAP accounting for stock compensation.
- Automatic and GAAP accounting for Unrealized gain (loss) on marketable securities and other investments.
- GAAP accounting for equity in net income (loss) of unconsolidated subsidiary (net of tax).
- GAAP accounting for discontinued operations, extraordinary items, and changes in accounting principles.
- GAAP accounting for other comprehensive income including Unrealized holding gain (loss) on Marketable securities—equity, Unrealized holding gain (loss) on Long-term investments—equity, Unrealized holding gain (loss) on Investments in joint ventures—equity, and Share of other comprehensive gain (loss) reported by a subsidiary.
- Income tax calculator complies with FAS No. 109 and accommodates permanent and timing adjustments, computation of deferred taxes and income tax expense, loss carryforwards and carrybacks, intraperiod adjustments, and quarterly payments.
- Templates automatically generate balance sheets and financial ratio analysis reports.
- GAAP accounting for asset additions, dispositions, and retirements. Includes depreciation recapture.
- GAAP accounting for loans, bonds, mortgages, and capitalized leases. Loans segregated and accounted for in separate categories including revolving line of credit; other short-term loans; long-term bonds, mortgages & notes payable; loans from stockholders; and subordinated debt.
- Cash flow statement is based on the Direct Method to facilitate analysis.
- Model automatically calculates cash receipts and disbursements for selected categories. Flexible aging assumptions ranging from 1 to 720 days and can be varied separately for each category. Separate categories include collections of trade accounts receivable and retention receivable, payments for purchases and materials, subcontractor costs, A/P retention, sales commissions, payroll, and all other operating expenses. Model also allows for separate factoring of receivables.

NBFC Financial Management System Overview

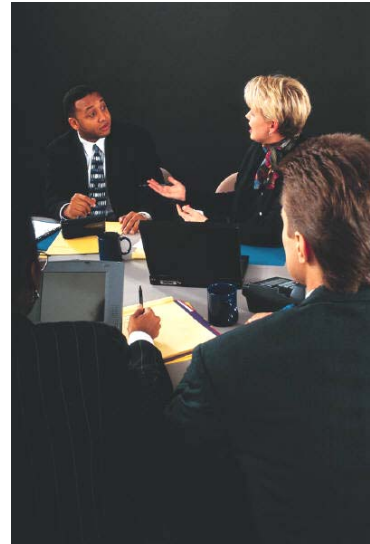
- Fixed asset additions and depreciation calculator interfaced to financial templates. Supports straight line, variable declining balance, and sum of the years' digits methods.
- Loan amortization calculator interfaced to financial templates. Accommodates several types of loans including variable and fixed principal; variable and fixed interest; payment and rate caps; monthly, quarterly, semiannual, and annual payment schedules; balloon payments; manual overrides; and automatic calculation of the current portion of long term debt.
- Revolving line of credit calculator automatically borrows from or makes payments on revolving line of credit in periods where cash balances fall below designated minimum levels. Automatically computes interest on outstanding line balance.
- Accommodates noncash balance sheet adjustments for such items as acquisition of assets by assuming liabilities, exchange of noncash monetary assets, refinancing of long-term debt, conversion of debt or preferred stock to common stock, issuance of equity securities to retire debt, etc.
- Model automatically accommodates inflation accounting and allows for projections to be done in current dollars.
- Balance sheets and financial ratio analysis schedules conform to *RMA Annual Statement Studies* to facilitate industry comparison.
- Accommodates multiple exchange rates and automatic conversion of foreign currencies.



- Module includes a personnel budget model that interfaces to the main financial model.
- Main workbook also includes a special, preformatted worksheet that is linked to the financial statements templates and has virtually unlimited uses. Use it to create custom financial models, link to external worksheets, create tables of assumptions, create detailed supporting schedules, etc. It can also be used as a link to automatically capture information from your accounting or other financial software programs.
- Fully integrated charts reporting package includes revenue and earnings history trends, common size statements analyses, and break-even analyses.
- Fully integrated module for rolling up and reporting range forecasts and projections.
- Other special templates include a Milestones Gantt Chart, Personal Financial Statement, and a Net Worth Calculator to determine the financing net worth of the business and/or owners.
- Module includes instructions, templates, and checklists for creating a Prospective Financial Statements report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.
- Designed as a companion product, work program checklists are cross-referenced and optimized for use with the *PPC Guide to Forecasts and Projections*.

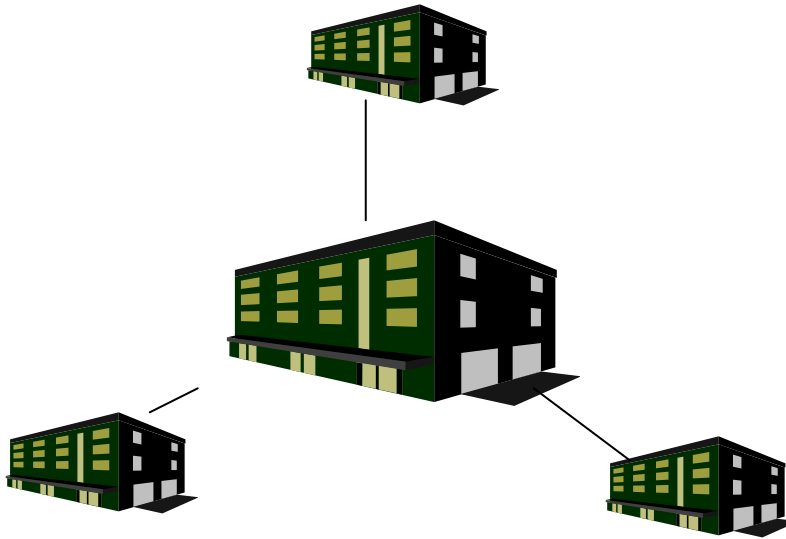
CAPITAL BUDGETING MODEL (INCLUDING LEASE VS. BUY ANALYSIS)

- Decision model supports payback periods of up to 10 years (can be optionally prepared for 120 monthly or 10 annual periods).
- Present value calculation can be based on annual or monthly accounting periods.
- Includes a template to calculate weighted cost of capital.
- Automates tedious tasks with several built-in formulas and calculators that save time and promote accuracy.
- Fixed asset additions and depreciation calculator interfaced to decision model. Supports straight line, variable declining balance, and sum of the years' digits methods.
- Loan amortization calculator interfaced to decision model. Accommodates several types of loans including variable and fixed principal; variable and fixed interest; payment and rate caps; monthly, quarterly, semiannual, and annual payment schedules; balloon payments; manual overrides.
- Lease vs. buy model accommodates multiple asset purchases and complex financing packages.
- Capital budget model allows you to segregate initial investment, incremental revenues, projected annual costs for old assets, projected annual cash flow for old assets, projected annual costs for new assets, total annual pre-tax costs for new assets, total annual after-tax costs for new assets, projected annual cash flow for new assets, after-tax cash outflows for new assets, and terminal cash flows.
- Model automatically calculates payback period (years), estimated life of asset or project (years), total investment, average investment, average annual net income, accounting rate of return (based on average investment and average annual net income), cost of capital, net present value, and internal rate of return.
- Mergers and acquisitions formulas include net present value calculation, ratio of exchange, and effect of merger on EPS and market price (or equivalent) of stock.



BUSINESS COMBINATION AND CONSOLIDATED PROSPECTIVE FINANCIAL STATEMENTS TEMPLATES

- Module allows the practitioner to create forward-looking consolidated balance sheet, profit and loss, and cash flow statements for parent-sub subsidiary company groups and combined statements for single legal entities with branch operations or multiple divisions. Fully integrated with *Prospective Financial Statements* templates.
- Reports conform to GAAP and support *Fair Market Value*, *Fair Value/Cost*, *Equity*, *Equity/Consolidated*, and *Push-Down* methods of accounting.
- Automatic conversion of multiple currencies and monetary units.



- Specialized and/or automatic adjusting journal entries to:
 - Eliminate upstream/downstream sales and intercompany profit transactions
 - Record investment income and dividends paid to parent
 - Allocate profits between common and preferred shareholders (not fully field tested)
 - Eliminate income and dividends from parent and return the investment account to its beginning-of-the period balance.
 - Eliminate reciprocal equity and investment balances, establish beginning minority interest, and enter unamortized goodwill.
 - Enter amortization of goodwill and depreciation of assets that were adjusted to fair value.
 - Eliminate reciprocal receivable and payable balances
 - Adjust cost of sales and the beginning investment balance for unrealized profits in the beginning inventory
 - Eliminate unrealized profit in the ending inventory and to increase cost of goods sold to a cost basis to the consolidated entity.

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- Module includes instructions, templates, and checklists for creating a Consolidated Prospective Financial Statements report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.

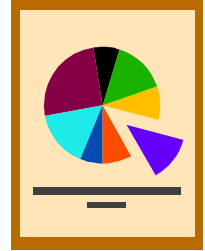
BUSINESS VALUATION TEMPLATES

- Module includes templates to assess the value of a business and create a professional valuation report.
- Valuation model is fully integrated with the *NBFC Historical Financial Analysis*, *Prospective Financial Statements*, and *Business Planning* modules. Valuation methods supported include:
 - Discounted Net Cash Flow
 - Discounted Future Earnings
 - Capitalization of Earnings
 - Capitalization of Gross Cash Flow
 - Capitalization of Net Cash Flow
 - Guideline Company Method
 - Net Asset Value Method
 - Liquidation Value Method
 - Excess Earnings Method
 - Rules of Thumb/Industry Multipliers
 - Multiple of Discretionary Earnings
- Includes templates to determine Discount and/or Capitalization Rates using Build-up or CAPM methods.
- Includes templates for posting normalization adjustments and calculating working capital requirements.
- Includes instructions, templates, and checklists for creating a Valuation report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.
- All tables and schedules are designed and formatted for quick and easy insertion into the appropriate sections of the word processing template.
- Designed as a companion product, work program checklists are cross-referenced and optimized for use with the *PPC Guide to Business Valuations*.



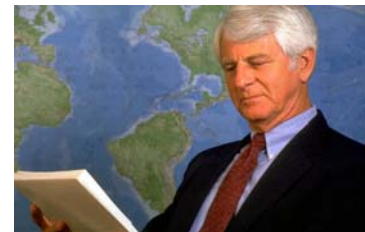
FINANCIAL RATIOS ANALYSIS REPORT TEMPLATES

- Module is fully integrated with the *NBFC Historical Financial Analysis* and *Prospective Financial Statements* templates and allows for analysis of up to 10 years: 5 years historical and 5 years projected.
- Charts reveal internal trends and allow the company's performance to be compared with industry data.
- Financial ratios definitions and formulas conform to RMA categories to facilitate industry comparisons.
- Liquidity ratios include: Current ratio ▫ Quick ratio ▫ Sales/Receivables ▫ Cost of Sales/Inventory ▫ Cost of Sales/Payables ▫ Sales/Working Capital.
- Coverage ratios include: EBIT/Interest ▫ Net profit + Depreciation, depletion, amortization to Current portion of long-term debt.
- Leverage ratios include: Fixed/Worth ▫ Debt/Worth.
- Operating ratios include: Profit before taxes to Tangible Net Worth ▫ Profit before taxes to Net Worth (ROE) ▫ Profit before taxes to Total Assets ▫ Sales/Net Fixed Assets ▫ Sales/Total Assets ▫ Depreciation, depletion, amortization to Net Sales ▫ % Officers' Compensation to Net Sales ▫ Gross Profit/Net Sales ▫ Operating Expenses to Net Sales ▫ All Other Expenses to Net Sales ▫ Pre-tax Profit to Net Sales.
- Zeta score.
- Historical and prospective breakeven analyses.
- Includes instructions, templates, and checklists for creating a Financial Ratios Analysis report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.
- Narrative discussion includes an overview and explanation of financial ratio analysis and separate explanation for each of the ratios and charts utilized.



M&A TEMPLATES

- Module provides tools for developing an M&A strategy, analyzing business combinations, and preparing related internal and external reports.
- Module is fully integrated with the *NBFC Historical Financial Analysis*, *Prospective Financial Statements*, *Business Valuation*, and *Business Planning* templates and includes specialized templates for analyzing and reporting:
 - Business combinations including mergers, acquisitions, asset purchases, consolidations, and joint ventures.
 - Calculating Ratio of Exchange and Effect of Merger on EPS and Market Price
- Includes instructions, templates, and checklists for creating Sellers Memorandum and Pre-acquisition Review report packages (PR under development). Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.



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- Designed as a companion product, work program checklists are cross-referenced and optimized for use with the *PPC Guide to Buying and Selling Small Businesses* and *PPC Guide to Mergers and Acquisitions*.

TURNAROUND TEMPLATES

- Module includes templates for crisis management, developing a turnaround strategy, and preparing a turnaround plan document.
- Module is fully integrated with the *NBFC Historical Financial Analysis*, *Prospective Financial Statements*, *Business Valuation*, and *Business Planning* templates and includes specialized templates for analyzing and reporting:
 - Financing net worth
 - Preferential transfers (under development)
 - Fraudulent transfers (under development)
 - Claims
 - Liquidation analysis
 - Recovery analysis
 - Solvency analysis (under development)
- 13-week budget and cash flow forecasting model.
- Includes instructions, templates, and checklists for creating Turnaround Plan, Disclosure Statement, and Solvency Analysis report packages. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion.
- Designed as a companion product, work program checklists are cross-referenced and optimized for use with the *PPC Guide to Troubled Businesses and Bankruptcies*.



BUSINESS PLANNING TEMPLATES



- Module provides tools for gathering data, developing a business strategy, and preparing a "classic," business/financing plan document.
- Module is fully integrated with the *NBFC Historical Financial Analysis*, *Prospective Financial Statements*, *Business Valuation*, and *M&A* templates.
- Comprehensive work plan and engagement checklists.
- Comprehensive online and hardcopy forms and questionnaires to facilitate gathering of information.
- Fully documented user manual includes detailed outline and instruction for assembling narrative including discussion of current theory and practice.

NBFC Financial Management System Overview

Module includes templates for creating a Business/Financing Plan report package. Drafting templates are formatted for professional presentation and include sample notes, disclosures, and narrative discussion. Sections include:

- Cover letter
- Executive Summary
- Business Overview
- Market Analysis
- Products/Services
- Management Profile
- Business Model
- Project Profile
- Acquisition Profile
- Research & Development
- Marketing and Sales Plan
- Operations Plan
- Turnaround Plan
- Funding Requirements and Capital Spending Plan
- Transaction Summary
- Pro Forma Financial Statements Data
- Condensed Prospective Financial Statements
- Investment Information and Analysis
- Business Risk Analysis (partial listing)
- Legal and Regulatory
- Frequently Asked Questions
- Selected Historical Financial Data Exhibit
- Ownership Tables Exhibit
- Economic and Industry Analysis Exhibit
- Milestones and Timetables Chart Exhibit



MAJOR BENEFITS

- Relieves financial executives and practitioners of much of the tedium in capturing and assembling key data and creating reports.
- System provides a disciplined framework that promotes uniform and consistent results.
- Promotes accuracy.
- Allows you to focus your time and energy on evaluating results and forming conclusions.
- Make better business decisions as a result of having more complete information available on a timely basis.
- Identify positive trends in the company's financial performance and take steps to support and encourage them.
- Spot negative trends and take corrective action before they become a bigger problem.
- Respond more quickly to evaluate new opportunities and increase ROI.
- Gain better control and greater ability to predict and manage cash flow.
- Avoid problems and disasters.
- Allows practitioners to expand service offerings and to increase engagement billings.
- Reduces time and expense associated with capturing, assembling, and analyzing data.
- Standardized reporting formats, electronic working papers, and built-in quality control features facilitate technical review and help to ensure the integrity of the final work product.
- Allows corporate financial managers to more fully and confidently assume the increasingly expert role required of them by company boards and managements.
- Tools help to streamline and standardize internal processes.

