STRETCHLEARN · WORKBOOK

Financial Modeling for Decision-Making — Workbook

This workbook turns the course into a working modeling toolkit you can apply to a real decision today. Move through it in order: set up a clean model structure, write your revenue equation and unit economics, build a 12-month cash-flow forecast, then put a real pricing or investment decision through scenario and sensitivity analysis. The spreadsheet templates give you a ready-made unit-economics and break-even model, a month-by-month cash-flow forecast, and an NPV/IRR investment case you can drop your own numbers into.

How a Financial Model Actually Works

Set up a clean inputs-calculations-outputs structure and pick the one decision you will model throughout this workbook.

Worksheet: Frame the Decision

Pick one real decision you are facing and pin it down before touching a spreadsheet. A sharp decision question is half the model. Be specific about the trade-off and the number that would settle it.

The decision in one sentence (e.g. should we raise prices 8 percent?)

What it costs or risks up front (cash, fixed commitment, time)

What benefit you hope it earns, and roughly when

The single output number that would settle the decision (profit, NPV, break-even, minimum cash)

Who you must convince (banker, partner, investor, yourself)

Exercise: Map Your Three Zones

Before building, list what belongs in each zone of the model. This forces the separation that keeps a model auditable.

• What are your inputs, the assumptions you control and will change (list each: price, volume, costs, rates)?

• What calculations turn those inputs into results (revenue, margin, profit, cash)?

• What are the two or three outputs you will actually read to decide?

• Where in your sheet will each zone physically live, so inputs are never buried inside formulas?

Checklist: Spreadsheet Discipline Check

[ ] Every assumption lives in its own labeled cell, not hardcoded inside a formula
[ ] Input cells are visually marked (blue) and formula cells are left alone
[ ] Every row and column has a clear label

[ ] Units and time period are stated explicitly (dollars, units, percent, per month vs per year)
[ ] A checks row exists that should always read zero or tie to a known total

Building a Revenue and Unit-Economics Model

Write your revenue equation, compute contribution margin per unit, and find your break-even point.

Worksheet: Write Your Revenue Equation

Break revenue into the drivers that actually produce it, then plug in your real numbers. The goal is a formula you can pull levers on, not a single growth percentage.

Your revenue equation written out (e.g. Visitors x Conversion x Average Order Value)

Current value of each driver

Resulting monthly revenue from multiplying them

Which single driver, if improved 10 percent, would move revenue the most

A realistic target value for that driver over the next 12 months

Exercise: Compute Unit Economics

Work from one product, service, or transaction. Separate truly variable costs from fixed costs, then calculate contribution margin. Only costs that rise with one more sale belong here.

• What is the price of one unit?

• What variable costs are incurred per unit (materials, packaging, payment fees, commissions, direct labor)?

• What is contribution margin per unit (price minus variable cost) and as a percentage of price?

• Is the percentage healthy enough that scaling volume is worth pursuing, or does each sale add almost nothing?

Exercise: Find and Stress Your Break-Even

Using your fixed costs and contribution margin, calculate break-even, then test how decisions move it.

• What are your total monthly fixed costs (rent, salaries, software, insurance, owner draw)?

• What is break-even in units (fixed costs divided by contribution margin per unit) and in dollars?

• How much cushion is there between break-even and your current sales?

• If you added a 1,400 dollar/month hire, how many extra units must you sell just to cover it?

Checklist: Unit-Economics Integrity

[ ] Only variable costs are in contribution margin; fixed costs are excluded
[ ] Contribution margin per unit is positive (each sale adds money)
[ ] Break-even is computed both in units and in dollars
[ ] Current sales are compared against break-even to show the cushion or shortfall

Cash Flow and Pricing Decisions

Build a month-by-month cash-flow forecast that exposes your low point, and model a price change by total contribution.

Worksheet: Lay Out the 12-Month Cash Forecast

Plan the structure before filling cells. The key is modeling cash when it is actually collected and paid, not when revenue is booked.

Your actual current bank balance (opening cash, month one)

Each source of cash in, and how many days after a sale the cash actually arrives

Each category of cash out (payroll, rent, suppliers, loan, taxes, owner draw) and its timing

How closing cash of each month carries into the next month's opening cash

The month and amount of your lowest projected closing-cash balance

Exercise: Model a Pricing Change by Total Contribution

Test a real price change by comparing total contribution margin before and after, not revenue. Total contribution, not revenue, is what feeds profit.

• Current price, variable cost, contribution margin per unit, and units sold; what is total contribution today?

• Proposed new price and the resulting new contribution margin per unit?

• How many units do you expect to lose, and what is total contribution after the change?

• What is the break point, the maximum percentage of customers you could lose before the change stops being worth it?

Checklist: Cash-Flow Reality Check

[ ] Cash in is modeled on collection timing, not invoice or sale date
[ ] Each month's closing cash flows into the next month's opening cash
[ ] The minimum closing-cash balance is flagged with MIN and visible at a glance
[ ] A checks row recomputes closing cash a second way and reads zero
[ ] Any negative cash month is sized so you know how big a buffer or credit line you need, and when

Investment Decisions and Stress-Testing

Evaluate an investment with payback, NPV, and IRR, then stress-test the decision with scenarios and a sensitivity table.

Worksheet: Build the Investment Case

Lay out the cash flows for one investment you are weighing, then compute the three measures. Remember the NPV function treats the first flow as one period out, so add the upfront cost separately.

Upfront cost in year zero (entered as a negative number)

Expected net cash flow for each of years one through four or five

Payback period (when cumulative cash turns positive)

NPV at your chosen discount rate (e.g. =NPV(0.10, year1..yearN) minus upfront cost)

IRR on the full series, and your cost of capital to compare it against

Exercise: Run Base, Best, and Worst Scenarios

Build three coherent scenarios for your decision and read the spread. In the bad case, move assumptions together the way they really would.

• What are the base-case values for each key assumption (your honest expectation)?

• What changes in the best case, and in the worst case, and do they move together coherently?

• What is the output (profit, NPV, or minimum cash) under each scenario?

• Can the business survive the worst case without running out of cash, and how likely is it?

Exercise: Find the Assumption That Matters Most

Use a one-way or two-way sensitivity table to see which single input swings your answer hardest, then decide how to de-risk it.

• Which two inputs would you put on a two-way table (e.g. price and units), and what range for each?

• At which combinations does the decision flip from positive to negative?

• Varying one input at a time across its plausible range, which one moves the output the most?

• What concrete step will you take to research or de-risk that single most-sensitive assumption?

Checklist: Decision-Ready Final Pass

[ ] Upfront cost is added separately, not buried inside the NPV function
[ ] NPV is positive and IRR exceeds your cost of capital, or you can explain why you proceed anyway
[ ] Three coherent scenarios are run and the business survives the worst case
[ ] The single most-sensitive assumption is identified and de-risked
[ ] A one-page recommendation leads with the decision and its key number, not the spreadsheet

Your Action Plan

1. Choose one real decision (price change, hire, or growth investment) to model end to end.
2. Open a blank Excel or Google Sheets file and set up three separated zones: inputs (blue), calculations, outputs.
3. Write your revenue equation and build a driver-based revenue row across 12 months.
4. Calculate contribution margin per unit and your break-even point in both units and dollars.
5. Build a 12-month cash-flow forecast and flag the lowest closing-cash month with MIN.
6. If pricing is your decision, compare total contribution before and after and find the customer-loss break point.
7. If it is an investment, lay out the cash flows and compute payback, NPV, and IRR with a chosen discount rate.
8. Add a scenario selector and run base, best, and worst cases; confirm you can survive the worst.
9. Build a one- or two-way sensitivity table to find the assumption your answer depends on most.
10. Write a one-page recommendation that leads with the decision and its key number, and present it.