Financial Model Kit — Model Guide (preview)

3-Statement Financial Model — version 1.0 — financialmodelkit.com

This guide documents every calculated row in the model: what it does, where the number goes next, and which assumption to change to move it. The formulas printed here are read directly out of the workbook when this guide is generated, so they cannot drift out of date.

How the model is wired

Assumptions → Income Statement → Balance Sheet → Cash Flow → back to Balance Sheet cash. Net income flows to retained earnings and to the top of the cash flow. Closing cash flows back to the balance sheet. That return leg is what makes this one model rather than three separate tabs.

There are no hardcoded numbers outside the Assumptions sheet — 1,692 live formulas and zero constants. The build script refuses to produce a file if a constant appears in a statement.

The two rules worth knowing before you edit

Costs are stored as negative numbers. Cost of sales, salaries and depreciation are all negative, so every subtotal is a plain SUM or addition. If you type a cost as a positive number it will add to profit.

Each month's opening balance is the previous month's closing balance, by formula. Nothing carries across by hand. This is the single most common failure in templates of this kind and it is checked on every one of the 36 months.

The three scenarios

Scenario	What it shows
Base	Stays cash-positive throughout. Lowest cash about $54,000 in month 8.
Upside	Faster growth, lower churn. Never dips below about $73,000.
Downside	Runs out of money on purpose. Cash turns negative in month 5 and reaches about -$614,000 by month 36. A downside case that stays solvent tells you nothing; the size of that hole is the funding you would need to survive a bad three years.

The Checks sheet

Three tests run live on every month. Their colour is driven by their value — conditional formatting, not a painted-on tick. Break the model and they turn red.

1. **Assets less liabilities and equity = 0.** The balance sheet balances.

2. **Balance sheet cash less cash flow closing cash = 0.** The two statements agree on how much money there is.

3. **Retained earnings movement less net income = 0.** Profit has landed in equity exactly once — not twice, not nowhere.

If a month reads FAIL, a formula has been overtyped. Undo it. Do not use the numbers until every month reads OK.

Row-by-row reference (preview: Income Statement only)

Every calculated row in the model has an entry like these: what the row does, and which assumption moves it. The full guide adds the row's month-2 formula, printed from the file.

Income Statement

Row	Line	What it does	Change this
6	**New customers**	Month 1 comes straight from the assumption. Every later month is the previous month grown by the monthly growth rate — this is where compounding enters.	New customers in month 1, Monthly growth in new customers
7	**Churned customers**	A percentage of the OPENING customer base, not the closing one. Using the closing base would let customers churn in the same month they joined.	Monthly churn rate
8	**Closing customers**	Opening + new - churned. This closing figure becomes next month's opening figure, which is the carry-over the whole model depends on.	—
11	**Revenue**	Closing customers times revenue per customer.	Revenue per customer / month
12	**Cost of sales**	Revenue times (1 - gross margin). Negative by convention: costs are stored as negative numbers so every subtotal is a simple SUM.	Gross margin
13	**Gross profit**	Revenue plus cost of sales (which is negative).	—
16	**Salaries**	Month 1 from the assumption, then grown monthly.	Salaries / month (start), Monthly opex growth
17	**Marketing**	Same pattern as salaries.	Marketing / month (start), Monthly opex growth
18	**Other operating costs**	Same pattern. Rent, tools, admin.	Other opex / month (start), Monthly opex growth
19	**Total operating costs**	SUM of the three rows above.	—
21	**EBITDA**	Gross profit plus total operating costs. Earnings before interest, tax, depreciation and amortisation — the closest line to operating cash.	—
22	**Depreciation**	Straight line: gross PP&E divided by the depreciation life. Capped so accumulated depreciation can never exceed the asset cost — without that cap a long-lived model depreciates assets below zero.	Capex / month, Depreciation life (months)
23	**EBIT**	EBITDA plus depreciation (negative).	—

Row	Line	What it does	Change this
24	**Interest expense**	Charged on the OPENING debt balance at one twelfth of the annual rate. Charging on the closing balance would understate the first month.	Opening debt, Interest rate (annual)
25	**Profit before tax**	EBIT plus interest.	—
26	**Tax**	Applied only to positive profit — MAX(0, profit). A loss-making month produces no tax credit, which is the conservative treatment.	Tax rate
27	**Net income**	Profit before tax plus tax. Flows to retained earnings on the balance sheet AND to the top of the cash flow statement.	—

This is a preview. The full guide, included with the purchase, documents every calculated row on all four sheets (38 rows) and prints the month-2 formula for each one, read out of the workbook when the guide is generated.

Editing safely

Every sheet except Assumptions is protected without a password. That is a guard rail against an accidental overtype, not a lock. In Excel: Review → Unprotect Sheet. In Google Sheets the protection arrives as a warning rather than a block.

Extending past 36 months

Select the last month column on each of the three statement sheets and the Checks sheet, then drag right. Every formula is relative except the references to the Assumptions sheet, which are absolute, so they will extend correctly. Check the Checks sheet afterwards — if the new columns read OK, the extension worked.

Refund

14 days, no questions asked.