



CBA STANDARD

Financial Modelling & Analysis with AI

Finance · 5 weighted domains · 30 learning objectives

Version 7.1

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About this standard

This standard defines what competent practice consists of in the discipline set out under Scope below. It divides the discipline into weighted domains and states, for each domain, the learning objectives a competent practitioner meets. It is one of the CBA Standards, which the Corporate Business Alliance maintains across finance, accounting, management and technology.

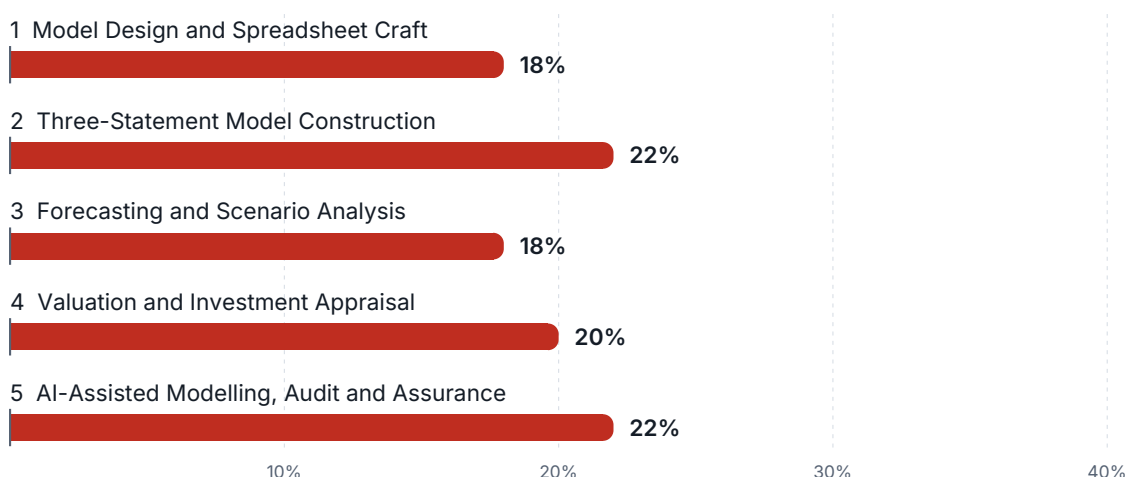
The standard is written for employers defining what a role requires, for training providers designing courses to a published specification, and for practitioners planning their own development.

Each domain carries a weight: its share of the standard, and of the examination for the CBA-FMA credential, which is assessed against it. The version number rises whenever a change would alter what competence in the discipline means, and every credential records the version its holder met.

Scope

A certification in building, auditing and defending three-statement financial models, forecasts and valuations in spreadsheets, with AI assistants used as a disciplined co-builder and reviewer.

Weighting by domain



Domains and learning objectives

Domain 1

18% of the standard

Model Design and Spreadsheet Craft

- 1.1 Select an appropriate model structure, layout and level of granularity for a stated business question and audience
- 1.2 Apply consistent conventions for inputs, calculated cells, units, signs and time periods across a workbook
- 1.3 Construct formulae using lookup, aggregation, date and logical functions that remain correct when rows and periods are added
- 1.4 Distinguish robust formula patterns from fragile ones, including hardcoded values inside formulae, inconsistent ranges and hidden dependencies

- 1.5 Interpret error values, broken links and check-line failures to locate the underlying fault in a model
- 1.6 Evaluate a model against integrity criteria such as balance checks, flag totals, one-formula-per-row consistency and documented assumptions

Domain 2

22% of the standard

Three-Statement Model Construction

- 2.1 Construct linked income statement, balance sheet and cash flow logic in which every line item has a defined driver or schedule
- 2.2 Calculate working capital balances and their cash flow effects from days-based or ratio-based drivers
- 2.3 Build supporting schedules for fixed assets, depreciation, debt and equity, and link them correctly into all three statements
- 2.4 Distinguish causes of a balance sheet imbalance and select the correct diagnostic sequence to resolve it
- 2.5 Interpret circularity arising from interest on average debt or cash and select an appropriate treatment such as switch-controlled iteration or an opening-balance convention
- 2.6 Evaluate whether a completed model's cash, retained earnings and net debt movements reconcile with the underlying schedules

Domain 3

18% of the standard

Forecasting and Scenario Analysis

- 3.1 Select appropriate forecast drivers for revenue, costs and balance sheet items given the business model and available data
- 3.2 Calculate forecast values from growth rates, ratios, run-rates and simple regression or trend logic
- 3.3 Distinguish between base, upside and downside scenario design and sensitivity analysis, and select the right technique for a stated question
- 3.4 Construct scenario switches and sensitivity structures, including data tables, that change assumptions without rewriting formulae
- 3.5 Interpret sensitivity outputs to identify which assumptions genuinely drive the result
- 3.6 Evaluate a forecast's credibility against history, capacity constraints, market size and disclosed external benchmarks

Domain 4

20% of the standard

Valuation and Investment Appraisal

- 4.1 Calculate free cash flow to the firm from model outputs, adjusting correctly for depreciation, capex, working capital and tax
- 4.2 Calculate and interpret NPV, IRR and payback for a project or investment, including their conflicts and limitations
- 4.3 Construct a discounted cash flow valuation, including a weighted average cost of capital and a terminal value by perpetuity growth or exit multiple

- 4.4 Distinguish enterprise value from equity value and execute the bridge between them
- 4.5 Select and normalise comparable company multiples such as EV/EBITDA and P/E, and interpret differences across peers
- 4.6 Evaluate the sensitivity of a valuation to discount rate, terminal assumptions and forecast drivers, and identify which conclusions survive

Domain 5

22% of the standard

AI-Assisted Modelling, Audit and Assurance

- 5.1 Construct effective task specifications for an AI assistant to draft formulae, schedules or model documentation, including context, constraints and expected output format
- 5.2 Select appropriate uses of AI across the modelling workflow, distinguishing tasks where AI accelerates work from tasks where human judgement must lead
- 5.3 Interpret AI-generated formulae, code and explanations to detect logical, accounting and referencing errors before adoption
- 5.4 Distinguish AI failure modes, including fabricated figures, plausible but incorrect accounting treatments, stale knowledge and lost context in long tasks
- 5.5 Evaluate the confidentiality, data protection and governance implications of sending financial information to external AI services
- 5.6 Construct a verification workflow, combining check cells, reconciliation tests, independent recomputation and documented review, for any AI-assisted output

Competence at award

What a holder of the CBA-FMA credential has demonstrated.

- Design spreadsheet models with a clear separation of inputs, calculations and outputs, consistent conventions and built-in integrity checks
- Construct a fully linked three-statement model in which the balance sheet balances because the logic is right, not because a plug forces it
- Build driver-based forecasts and test them with sensitivity analysis, scenario structures and sanity checks against history and external benchmarks
- Value a business using discounted cash flow and market multiples, and defend the assumptions behind discount rates, terminal value and comparables
- Direct an AI assistant to draft, extend and document model components, then verify the output through structured checks before relying on it
- Use AI as an audit and stress-testing partner on existing models while recognising hallucination, context loss and confidentiality risks
- Communicate model results, limitations and key sensitivities to decision-makers in clear, honest terms

Recognition at Professional level

The CBA-FMA credential is awarded at Professional level of the CBA Competency Framework, which evidences that the holder is a practising professional in the discipline.

Awarded on the examination, 6 assessed workbooks of applied work and 3 years' relevant professional experience (2 with a relevant degree), confirmed by a named referee, with a signed undertaking to the Code of Professional Conduct.

Who the standard is written for

Financial and FP&A analysts

Analysts in corporate finance, financial planning and analysis, or business finance who build budgets, forecasts and management models and want a credential that certifies both modelling rigour and modern AI-assisted workflow.

Advisory and transaction professionals

Staff in consulting, transaction services, valuation and audit-adjacent roles who review or construct models for clients and need a demonstrable standard for model integrity, valuation reasoning and AI output verification.

Accountants and career movers into analysis

Qualified or part-qualified accountants, bankers and commercially minded professionals moving toward analytical roles who can read financial statements and now need to build, forecast and value from them in spreadsheets.

Appendix: glossary of finance terms

Terms used across the finance standards, as CBA defines them.

Assumption register

A single, documented list of every input a financial model relies on, with its source, owner and date. It lets a reviewer trace any output back to the assumption that drives it.

Balance check

A test in a three-statement model confirming that total assets equal total liabilities plus equity in every period. A balance check that passes because of a plug proves nothing.

Base case

The scenario a model presents as most likely, built on central assumptions. Upside and downside cases are measured against it.

Beta

A measure of how much a security's returns move with the market as a whole. A beta above 1 indicates greater sensitivity to market movements than the market itself.

Break-even point

The level of activity at which total revenue equals total costs, so that profit is zero. It is found by dividing fixed costs by the contribution margin per unit.

Budget

A plan that allocates resources for a period and sets the baseline against which managers are held to account. Its usefulness depends on its stability once agreed.

Capital asset pricing model (CAPM)

A model that estimates the return investors require on equity as the risk-free rate plus beta multiplied by the equity risk premium.

Capital expenditure (capex)

Spending on assets expected to provide benefit over more than one period, such as property, plant and equipment. It is capitalised on the balance sheet and depreciated rather than expensed at once.

Cash conversion cycle

The number of days between paying for inputs and collecting cash from customers, calculated as days inventory outstanding plus days sales outstanding minus days payable outstanding.

Circularity

A loop in which a calculation depends, directly or indirectly, on its own result — commonly interest calculated on average debt that the interest itself affects. It is resolved by controlled iteration or by an opening-balance convention.

Comparable company analysis

A valuation method that applies multiples observed for similar listed companies, such as EV/EBITDA, to the company being valued, after normalising for differences.

Contribution margin

Revenue less variable costs, expressed per unit or in total. It is the amount available to cover fixed costs and generate profit.

Cost of equity

The return shareholders require for bearing the risk of holding a company's equity, commonly estimated using the capital asset pricing model.

Data table

A spreadsheet feature that recalculates a model's output across a range of values for one or two inputs, used to build sensitivity tables without rewriting formulae.

Days inventory outstanding (DIO)

The average number of days inventory is held before it is sold, calculated as inventory divided by cost of sales, multiplied by the days in the period.

Days payable outstanding (DPO)

The average number of days a business takes to pay its suppliers, calculated as trade payables divided by purchases or cost of sales, multiplied by the days in the period.

Days sales outstanding (DSO)

The average number of days it takes to collect payment after a sale, calculated as trade receivables divided by revenue, multiplied by the days in the period.

Discount rate

The rate used to convert future cash flows to their present value, reflecting the time value of money and the risk of the cash flows.

Discounted cash flow (DCF)

A valuation method that estimates value as the present value of expected future cash flows, discounted at a rate reflecting their risk, plus a terminal value.

Driver-based forecasting

Forecasting built from the operational quantities that cause financial results — volumes, prices, headcount, conversion rates — rather than from prior-period totals, so that each change in the forecast traces to a named driver.

EBITDA

Earnings before interest, tax, depreciation and amortisation. A widely used proxy for operating cash generation that excludes financing, tax and non-cash charges; it is not a measure defined by IFRS.

Enterprise value

The value of a business's operations to all providers of capital, broadly equity value plus net debt and other claims such as non-controlling interests.

Enterprise-to-equity bridge

The reconciliation from enterprise value to equity value, deducting net debt and other claims senior to ordinary shareholders and adding non-operating assets.

Equity value

The value attributable to a company's shareholders; for a listed company, its market capitalisation.

Exit multiple

A multiple, typically of EBITDA, applied to the final forecast year to estimate terminal value on the assumption that the business is sold at that point.

Financial covenant

A condition in a loan agreement requiring the borrower to maintain stated financial ratios, such as maximum leverage or minimum interest cover. A breach can allow the lender to demand repayment.

Financial model

A structured calculation, usually in a spreadsheet, that represents a business or decision in numbers so that the effect of assumptions on outcomes can be examined.

Flexed budget

A budget recalculated for the actual level of activity achieved, so that variances separate the effect of volume from the effect of price and efficiency.

Forecast

The best current estimate of what will actually happen. Unlike a budget, it should change whenever the evidence does.

Forecast bias

A consistent tendency for forecasts to err in one direction. It is detected by comparing successive forecasts with actual outcomes over time.

Free cash flow to equity (FCFE)

Cash generated by a business that is available to shareholders after operating costs, reinvestment and payments to and from lenders.

Free cash flow to the firm (FCFF)

Cash generated by operations after tax and reinvestment in working capital and fixed assets, available to all providers of capital. It is the cash flow discounted at the WACC in an enterprise DCF.

Hardcode

A fixed number typed into a formula or calculation cell instead of being linked to an input. Hardcodes are a common cause of model errors because they do not update when assumptions change.

Headcount plan

A forecast of employee numbers by role and period, used to drive salary, benefit and related costs in a driver-based plan.

Integrity check

A calculation built into a model to confirm it is behaving correctly — a balance check, a cash reconciliation, or a flag when a total does not match its components.

Internal rate of return (IRR)

The discount rate at which the net present value of a series of cash flows is zero. It can mislead where cash flows change sign more than once or projects differ in scale.

Key performance indicator (KPI)

A measure chosen to show progress against an objective. A useful KPI has a defined calculation, an owner and a target.

Leading indicator

A measure that changes before the result it predicts — for example, sales pipeline ahead of revenue — and so gives early warning.

Liquidity

A business's ability to meet its obligations as they fall due, from cash and assets that can readily be converted to cash.

Model audit

An independent review of a financial model's logic, formulae and assumptions to find errors before the model is relied on.

Net debt

Borrowings less cash and cash equivalents. Definitions vary, so the items included should be stated.

Net present value (NPV)

The sum of the present values of a project's expected cash flows, including the initial investment. A positive NPV indicates value created at the chosen discount rate.

Operating leverage

The degree to which operating profit responds to changes in revenue, determined by the proportion of fixed costs in the cost base.

Payback period

The time taken for an investment's cumulative cash inflows to repay its initial cost. It ignores cash flows after payback and, in its simple form, the time value of money.

Perpetuity growth method

A way of estimating terminal value by treating the final year's cash flow as growing at a constant rate for ever: next year's cash flow divided by the discount rate less the growth rate.

Plug

A balancing figure inserted to force a model to agree — for example, to make the balance sheet balance. It hides the error it compensates for.

Price-volume-mix analysis

The breakdown of a change in revenue or margin into the effects of selling prices, quantities sold and the mix of products or customers.

Rolling forecast

A forecast that is extended by one period each time a period closes, so that it always covers the same horizon — typically four to six quarters — rather than ending at the financial year-end.

Run-rate

A projection of a full period's result from recent performance, such as annualising the latest month. It assumes the recent period is representative.

Scenario analysis

Testing a model under coherent sets of assumptions — base, upside, downside — that change several inputs together to represent a possible state of the world.

Sensitivity analysis

Changing one or two inputs at a time to see how much an output moves, in order to identify which assumptions matter most.

Target

An ambition set to stretch performance, usually above what is expected. It should not be treated as a forecast.

Terminal value

The value of a business's cash flows beyond the explicit forecast period, estimated by the perpetuity growth method or an exit multiple. It often accounts for most of a DCF valuation.

Three-statement model

A financial model in which the income statement, balance sheet and cash flow statement are linked, so that each transaction flows through all three and the balance sheet balances by construction.

Tornado chart

A bar chart ranking inputs by how much each moves an output across a stated range, with the most influential at the top.

Unit economics

The revenue and costs attributable to a single unit of the business — a customer, an order, a product — used to test whether growth adds value.

Variance analysis

The comparison of actual results with budget or forecast, explaining each difference by its cause so that management can act on it.

Weighted average cost of capital (WACC)

The average return required by all providers of capital, weighted by the proportions of debt and equity, with the cost of debt taken after tax. It is the discount rate for free cash flow to the firm.

Working capital

Current operating assets less current operating liabilities — principally inventory and receivables less payables. Increases absorb cash; decreases release it.

Zero-based budgeting

Budgeting that requires every cost to be justified from zero for each new period, rather than adjusting the previous period's figures.

Using this publication

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