

EXCEL-TOOL N°02

Converting Financial Statements into standard format

User's manual

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Purpose of this tool

This second Senbumo tool is part of a set of 3 tools designed to support social practitioners to better understand and manage Financial Statements and Financial Projections. This set of tool includes:

- EXCEL-TOOL N°01: understand and analyze Financial Statements.
- EXCEL-TOOL N°02: convert Financial Statements (SME & MFI).
- EXCEL-TOOL N°03: establish sound Financial Projections (SME & MFI).

These 3 tools have been designed having in mind practitioners that are not Financial Analysts or Financial Managers but who need to reach a professional level of understanding, especially when considering attracting borrowings or new shareholders or simply to forecast their activities.

Financial Statements includes 3 elements:

1. A Profit & Loss (PL).
2. A Cash Flow (CF).
3. A Balance Sheet (BS).

EXCEL TOOL N° 01: understand Financial Statements

For Social Entrepreneurs and social practitioners, understanding and analyzing Financial Statements is no easy task and are source of frequent confusion. For example, a bank loan is mistaken as a source of income or an investment is considered as an operational expense. The scope of this 2nd tool is to provide basic and sound analytical skills to understand and analyze any type of Financial Statements converted in the above standard format.

EXCEL TOOL N° 02: convert Financial Statements

Financial Statements are established in various formats depending on origin, type of company, etc. As a result, they are difficult to compare and, in some cases, to understand. The scope of this 1st tool is to convert any kind in financial statements in a standard format easy to understand. In addition, this standard format can be presented in original currency or converted in hard currency (USD/EUR/CHF).

EXCEL TOOL N° 03: develop Financial Projections

To establish sound Financial Projections, a social practitioner needs to combine the 3 above elements in order to estimate the sustainability of his projections. The scope of this 3rd tool is to support any social practitioners to establish his financial projections in the same standard format. As a result, new Financial Projections can be linked to previous Financial Statements in a very user friendly way.

This set of 3 tools exists in 4 versions: English/French; MFI/SME¹.

¹ The tool was first developed to convert MFIs Financial Statements into a standard format. It was later modified for SMEs.

Using the second tool

We are going to start with the tool designed to convert Microfinance Institution's Financial Statements into a standard format. The EXCEL tool includes several sheets and clear explanations will be provided for each of them.

Graphic & color conventions

10	Period	1	Cells with light yellow are cells the User can freely modify. Cells with blue numbers are cells that contain an EXCEL formula. These cells <u>must not</u> be modified by the User.
11	Type of data	REAL	
12	Start date	2012-01-01	
13	End date	2012-12-31	
14	Duration (months)	12	
15	Label (linked)	déc2012	

Inputting data

Users may either ENTER data (i.e. type data in cell) or SELECT data (i.e. in a drop list).

Time scope

This tool can convert previous Financial Statements over a 10 year period.

Sheet parameters

	A	B	C	D	E	F	G	H	I	J	K	L
1	Country		Ghana									
2	Currency		GHS									
3	Date of data input		2016-01-31									
4												
5	Name of institution		Tapoa SRL									
6	Year start		2009									
7	Legal form		For-profit									
8	Sector		Microfinance									
9												
10	Period		1	2	3	4	5	6	7	8	9	10
11	Type of data		REAL	REAL	REAL	REAL	empty	empty	empty	empty	empty	empty
12	Start date		2012-01-01	2013-01-01	2014-01-01	2015-01-01						
13	End date		2012-12-31	2013-12-31	2014-12-31	2015-12-31						
14	Duration (months)		12	12	12	12	1	1	1	1	1	1
15	Label (linked)		déc2012	déc2013	déc2014	déc2015						
16												
17	Exchange rate											
18	Currency & rate	EUR	2.0307	1.9614	2.0944	2.5161						

Cells C1:C8: Enter basic data about MFI. In sheet *list*, User can input a custom currency in cell C5.

Cells C11:L11 - Type of data: select in the drop list the kind of data you are entering (REAL/PROJ/empty). *REAL* is for previous FS, *PROJ* are for Financial Projections (that have already been established) and *empty* is for missing/unavailable data.

Cells C12:L12 – Start date: enter the date when the Profit & Loss starts. In most cases, financial years start on January 1st and end on December 31th.

Cells C13:L13 – End date: enter the date when the Profit & Loss ends. In most cases, financial years start on January 1st and end on December 31th.

Cell B18: select output currency to convert standard Financial Statements in hard currency.

Cells C18:L18: enter exchange rate as of end date of the period.

Move to next sheet named data1.

Sheet data1

	A	B	C	D	E	F	G	H	I	
1	Ghana Tapoa SRL For-profit PROFIT & LOSS déc-2012					Ghana Tapoa SRL For-profit BALANCE SHEET déc-2012				
2	TOTAL (GHS)					TOTAL (GHS)				
3										
4										
5	col_pl1			col_pl11		col_bs1			col_bs11	
6	N	Select in the drop list the according PROFIT & LOSS account	Copy here the PROFIT & LOSS account in its original format	Enter here the according amount	N	Select in the drop list the according BALANCE SHEET account	Copy here the BALANCE SHEET account in its original format	Enter here the according amount		
7	01				01					
8	02				02					
9	03				03					
10	04				04					
11	05				05					
12	06				06					
13	07				07					
14	08				08					
15	09				09					

Explanation: the sheet is split in two parts. On the left side (col. B/C/D), User will enter data about the profit & loss, and the right side (col. G/H/I), he will enter data about the balance sheet.

Step 1: open Financial Statements in original format. You may find the following presentation:

	A	B	C	D	E
1	Tapoa SRL Financial statements - unaudited	2'012	2'013	2'014	2'015
2	Income & Expenditure Accounts	GHC	GHC	GHC	GHC
3					
4	Interest Income	470'348	418'413	428'036	530'765
5	Interest Expense	-240'321	-191'095	-195'490	-242'408
6	Net Interest Income	230'027	227'317	232'546	288'357
7					
8	Fees				
9	Registration Fees	2'314	1'465	1'499	1'858
10	Commissions Received	1'335			
11	Training Fees	466	197	202	250
12	Loan Form Fees	2'319	630	644	799
13	Processing Fees	44'045	24'789	25'359	31'445
14	Total fees	50'479	27'081	27'704	34'353
15					
16	Other Income	6'005			
17	Total Income	286'511	254'398	260'249	322'709

The original format of Tapoa's FS has different accounts as in our EXCEL-Tool.

Moreover:
Interest expense, are expressed with a negative sign.
Fees, are quite detailed but such precision is not very relevant.

We will see how the EXCEL-Tool consolidates all these data.

Step2: select cells in column A², copy and paste them in EXCEL-Tool, sheet data, cell C7. You should have the following result:

² Don't select entire column but only the first and last line of FS accounts.

	A	B	C	D	E	F	G	H	I
1	Ghana Tapoa SRL For-profit PROFIT & LOSS déc-2012				Ghana Tapoa SRL For-profit BALANCE SHEET déc-2012				
2	TOTAL (GHS)				TOTAL (GHS)				
3									
4									
5	col_pl1		col_pl11		col_bs1			col_bs11	
6	N	Select in the drop list the according PROFIT & LOSS account	Copy here the PROFIT & LOSS account in its original format	Enter here the according amount	N	Select in the drop list the according BALANCE SHEET account	Copy here the BALANCE SHEET account in its original format	Enter here the according amount	
7	01		Interest Income		01				
8	02		Interest Expense		02				
9	03		Net Interest Income		03				
10	04				04				
11	05		Fees		05				
12	06		Registration Fees		06				
13	07		Commissions Received		07				
14	08		Training Fees		08				
15	09				09				

Step 3: go back to original FS and now copy financial figures of year 2012. When pasting in EXCEL-Tool, do a *paste special (value)* in order not to import formulas that may show wrong figures once pasted in the EXCEL-Tool sheet.

	A	B	C	D	E
1	Ghana Tapoa SRL For-profit PROFIT & LOSS déc-2012				
2	TOTAL (GHS)				
3					
4					
5	col_pl1		col_pl11		
6	N	Select in the drop list the according PROFIT & LOSS account	Copy here the PROFIT & LOSS account in its original format	Enter here the according amount	
7	01		Interest Income	470'347.66	
8	02		Interest Expense	-240'321.14	
9	03		Net Interest Income	230'026.52	
10	04				
11	05		Fees		
12	06		Registration Fees	2'314.00	
13	07		Commissions Received	1'335.35	
14	08		Training Fees	466.00	
15	09		Loan Form Fees	2'319.00	
16	10		Processing Fees	44'044.50	
17	11		Total fees	50'478.85	

The sheet data1 should now appear like this.

In this EXCEL-Tool, financial expenses must not be expressed with a negative sign.

Therefore, user is requested to change manually each negative sign.

The only admitted negative value is for Foreign Currency exchange risk as it can be either positive or negative.

Step 4: in column B, select the corresponding profit and loss account that best matches the original FS format.

N	Select in the drop list the according PROFIT & LOSS account	Copy here the PROFIT & LOSS account in its original format	Enter here the according amount
6			
7	01 Loans income	Interest Income	470'347.66
8	02 Financial expenses	Interest Expense	240'321.14
9	03	Net Interest Income	230'026.52
10	04		
11	05	Fees	
12	06 Loans income	Registration Fees	2'314.00
13	07	Commissions Received	1'335.35
14	08 PROFIT & LOSS	Training Fees	466.00
15	09 Loans income	Loan Form Fees	2'319.00
16	10 investment's income	Processing Fees	44'044.50
17	11 Other income	Other fees	50'478.85
17	11 TOTAL FINANCIAL INCOMES		
18	12 Financial expenses		
19	13 FX loss/gain	Other Income	6'005.19
20	14 GROSS FINANCIAL MARGIN	Total Income	286'510.56
21	15		

Note: there is no need to match original operational results as, for example, *Net Interest income*.

Only primary inputs need to be indexed.

Step 5: check if indexed accounts reach the same annual net profit. To do this, go to sheet FINANCIAL-STATEMENTS.

Sheet FINANCIAL-STATEMENTS

	A	B	C	D	E
1	Period		1	2	3
2	Type of data		REAL	REAL	REAL
3	TAPOA MFI PROFIT & LOSS (GHS)		Dec-12	Dec-13	Dec-14
4	PROFIT & LOSS				
5	Loans income		520'827	0	0
6	investment's income		0	0	0
7	Other income		6'005	0	0
8	TOTAL FINANCIAL INCOMES		526'832	0	0
9	Financial expenses		241'050	0	0
10	FX loss/gain		0	0	0
11	GROSS FINANCIAL MARGIN		285'781	0	0
12	Loan loss provision expenses		6'706	0	0
13	NET FINANCIAL MARGIN		279'075	0	0
14	Personnel expenses		177'004	0	0
15	Admin expenses		80'105	0	0
16	Depreciation		18'115	0	0
17	TOTAL OPERATIONAL EXPENSES		275'224	0	0
18	OPERATIONAL RESULTS		3'851	0	0
19	Non operational income		0	0	0
20	Non operational expenses		0	0	0
21	RESULT BEFORE TAX		3'851	0	0
22	Profit tax		0	0	0
23	Dividends		0	0	0
24	PROFIT OF THE PERIOD		3'851	0	0
25	Résultat net cumulé		3'851	3'851	3'851

User can see the result of the indexed accounts in column C.

The profit of the period is the same as in the original FS.

Step 5: User must go back to sheet data1 to input the Balance Sheet figures.

Adjusting the equity

F	G	H	I
Ghana Tapoa MFI For-profit BALANCE SHEET déc-2012			
			TOTAL (GHS)
03	Fixed assets	Property, plant and equipment	174'585.00
04			
05		Current assets	
06	ST Gross portfolio	Gross loan Portfolio	1'057'996.00
07	LT loan loss reserve	Less Loan Loss Reserve (Note 11)	-50'557.00
08		Net Loan portfolio	1'007'439.00
09			
10	ST receivable	Receivables	114'397.33
11	Cash & banks	Cash & Bank Balances	35'355.60
12			1'185'261.72
13			
14		Total Assets	1'359'846.72
15			
16		EQUITY AND LIABILITIES	
17		Accumulated Fund	
18		Brought Forward	326'949.00
19	Donated equity	Donated Equity	28'312.80
20		Surplus/(Deficit) for the year	3'851.46
21		Carried Forward	359'113.26
22			
23		Current liabilities	
24	ST borrowings	Loans/Investment	979'208.00
25			
26	ST liabilities	Payables	21'525.46
27			1'000'733.46
28			
29		Total liabilities and equity	1'359'846.72

Adjusting the equity is usually not strait forward because they can be some confusion between equity, donation and retained earnings (i.e. carried forward).

Advice:

Don't index the Surplus/(Deficit) for the year as EXCEL will take the value from the Profit & Loss.

And go back to sheet FIANCIAL-STATEMENTS:

	A	B	C
1	Period		1
2	Type of data		REAL
27	TAPOA MFI BALANCE SHEET (GHS)		Dec-12
44	TOTAL ASSETS		1'331'777
45			
46	EQUITY & LIABILITIES		
47	Sight deposits		0
48	Term deposits		0
49	ST liabilities		21'525
50	ST borrowings		979'208
51	TOTAL SHORT TERM LIABILITIES		1'000'733
52	LT Other liabilities		0
53	LT borrowings		0
54	LT subordinated debt		0
55	TOTAL LONG TERM LIABILITIES		0
56	Profit of the period		3'851
57	Retained earnings	0	3'851
58	Reserves		0
60	Shareholders equity		0
61	TOTAL EQUITY		32'164
62	TOTAL EQUITY & LIABILITY		1'032'898
63	Difference		298'879

Cell B57: enter the difference between TOTAL ASSETS and TOTAL EQUITY & LIABILITY as calculated in cell C63.

27	TAPOA MFI BALANCE SHEET (GHS)		Dec-12
44	TOTAL ASSETS		1'331'777
45			
56	Profit of the period		3'851
57	Retained earnings	298'879	302'730
58	Reserves		0
60	Shareholders equity		0
61	TOTAL EQUITY		331'043
62	TOTAL EQUITY & LIABILITY		1'331'777
63	Difference		0

The situation should look like this now:

Difference is equal to zero and total equity of the company as of December 2012 is of GHS 331'043.

verification

Total assets of original FS and EXCEL-Tool must be the same as well as the equity. If this is ok, you can continue to complete the tool in sheets data2, data3, etc.

It may sometime be necessary to use the Excel's Goal Seek tool to find the correct amount of reserve and/or retained earnings to adjust the equity.

Final result

Once all original FS have been inputted in the EXCEL-Tool, the final result should look like in the table below. In this case, lines have been hidden to show a more consolidate view:

	A	B	C	D	E	F
1	Period		1	2	3	4
2	Type of data		REAL	REAL	REAL	REAL
3	TAPOA MFI PROFIT & LOSS (GHS)		Dec-12	Dec-13	Dec-14	Dec-15
4	PROFIT & LOSS					
24	PROFIT OF THE PERIOD		3'851	13'726	14'041	17'411
25	Retained earnings		3'851	17'577	31'619	49'030
26						
44	TOTAL ASSETS		1'331'777	1'344'286	1'375'204	1'705'254
45						
46	EQUITY & LIABILITIES					
56	Profit of the period		3'851	13'726	14'041	17'411
57	Retained earnings	298'879	302'730	316'456	330'498	347'909
58	Reserves		0	0	0	0
59	Donated equity		28'313	107'083	102'782	189'358
60	Shareholders equity		0	0	0	0
61	TOTAL EQUITY		331'043	423'539	433'280	537'267
62	TOTAL EQUITY & LIABILITY		1'331'777	1'344'286	1'375'204	1'705'254
63	Difference		0	0	0	0
64						

Other functionalities

Ratios

	A	B	C	D	E	F
1	Period		1	2	3	4
2	Type of data		REAL	REAL	REAL	REAL
65	Activities		Dec-12	Dec-13	Dec-14	Dec-15
66	Loan Officers (#)		12	12	13	15
67	Employees + Loan Officers (#)		19	20	22	23
68	Clients (#)		500	600	678	815
69						
70	Ratios					
71	Clients / Loan Officers		42	50	52	54
72	OSS		1.91	2.00	2.08	1.81
73	Portfolio yield			42.0%	38.8%	40.2%
74	Debts / Equity		3.0	2.1	2.0	2.1
75						

Lines 66:68: User can enter data about Loan Officers, staff and clients.

Lines 71:74: EXCEL-Tool will calculate some basic ratios.

User is invited to customize the tool according to his needs.

FS in Hard currency

Finally, the EXCEL-Tool provides also an output in hard currency. This can be found simply below the FS in original currency.

	A	B	C	D	E	F
1	Period		1	2	3	4
2	Type of data		REAL	REAL	REAL	REAL
79	TAPOA MFI PROFIT & LOSS (EUR)		Dec-12	Dec-13	Dec-14	Dec-15
80	PROFIT & LOSS					
81	Loans income		256'480	229'232	224'428	263'518
82	investment's income		0	0	0	0
83	Other income		2'957	0	0	0
84	TOTAL FINANCIAL INCOMES		259'437	229'232	224'428	263'518
85	Financial expenses		118'705	94'105	96'269	119'374
86	FX loss/gain		0	0	0	0
87	GROSS FINANCIAL MARGIN		140'733	135'127	128'159	144'144
88	Loan loss provision expenses		3'302	3'646	3'729	4'625
89	NET FINANCIAL MARGIN		137'430	131'481	124'430	139'520
90	Personnel expenses		87'165	60'613	52'158	76'889

Customizing the tool

A User may need to add a specific account in the profit and loss or the balance sheet. This can easily achieved as follow.

Sheet list

Go to sheet *list*. There you will find the list of accounts that appear in the drop list when User indexes the original FS accounts.

	A	B
1	list_RESULTAT	List_BILAN
2	PROFIT & LOSS	ASSETS
3	Loans income	Cash & banks
4	investment's income	ST investments
5	Other income	ST receivable
6	TOTAL FINANCIAL INCOMES	ST Gross portfolio
7	Financial expenses	ST loan loss reserve
8	FX loss/gain	NET SHORT TERM PORTFOLIO
9	GROSS FINANCIAL MARGIN	TOTAL SHORT TERM ASSETS
10	Loan loss provision expenses	LT Gross portfolio
11	NET FINANCIAL MARGIN	LT loan loss reserve
12	Personnel expenses	NET LONG TERM PORTFOLIO
13	Admin expenses	LT Other assets
14	Depreciation	Fixed assets
15	TOTAL OPERATIONAL EXPENSES	Amortization
16	OPERATIONAL RESULTS	NET FIXED ASSETS
17	Non operational income	TOTAL LONG TERM ASSETS
18	Non operational expenses	TOTAL ASSETS
19	RESULT BEFORE TAX	
20	Profit tax	EQUITY & LIABILITIES
21	Dividends	Sight deposits
22	PROFIT OF THE PERIOD	Term deposits

For example, User needs to add a specific *Transport* operational expense between *Admin* expenses (cell A13) and *Depreciation* (cell A14).

Select cell A14, right click and insert cell.

Name it transport as follow:

12	Personnel expenses
13	Admin expenses
14	Transport
15	Depreciation
16	TOTAL OPERATIONAL EXPENSES

Go to sheet FINANCIAL STATEMENTS: select line 16 and insert a full line. In cell A16, type Transport.

Warning! type exactly the same word you used as you type in sheet list or it won't work.

C15		=SOMMEPROD((col_pl1=\$A15)*(col_pl11))				
	A	B	C	D	E	F
1	Period		1	2	3	4
2	Type of data		REAL	REAL	REAL	REAL
3	TAPOA MFI PROFIT & LOSS (GHS)		Dec-12	Dec-13	Dec-14	Dec-15
4	PROFIT & LOSS					
5	Loans income		520'827	465'494	455'740	535'118
6	investment's income		0	0	0	0
7	Other income		6'005	0	0	0
8	TOTAL FINANCIAL INCOMES		526'832	465'494	455'740	535'118
9	Financial expenses		241'050	191'095	195'490	242'408
10	FX loss/gain		0	0	0	0
11	GROSS FINANCIAL MARGIN		285'781	274'398	260'249	292'709
12	Loan loss provision expenses		6'706	7'403	7'573	9'391
13	NET FINANCIAL MARGIN		279'075	266'995	252'676	283'318
14	Personnel expenses		177'004	123'085	105'916	156'136
15	Admin expenses		80'105	92'070	94'187	116'792
16	Transport					
17	Depreciation		18'115	18'115	18'532	22'979

Select cells C15:L15 (line above line Transport) and copy down into line 16.

Formula SOMMEPROD

In cell C15, you find the formula: =SOMMEPROD((col_pl1=\$A15)*(col_pl11))

Col_pl1 is the name in sheet data1 of column B where User can index original accounts.

Col_pl11 is the name in sheet data1 of column D where User enters financial figures.

So in this case, EXCEL-Tool will sum-up on line 16 all figures that have been indexed as *Transport*.

Warning!

- Make a copy of EXCEL-Tool before changing the structure.
- In sheet FINANCIAL-STATEMENTS, enter the same changes in the output in hard currency FS.

Conclusion

This simple tool allows converting any source of FS into a standard model. It can be useful for donors and investors willing to compare various MFIs. Adjusting the equity may need some practice but after some exercises, any User should find it easy to achieve. Always check in the profit and loss if the annual net income is the same in both documents. In the balance sheet, total assets must be the same as well as the amount of equity. The tool can be easily customized in order to add tailored accounts if needed.

Troubleshooting

- By copying numbers from original FS into this EXCEL-Tool be sure you copy numbers and not text.
- There can be also issues regarding (.) and (,) which may not be understood by EXCEL. You may need to use Ctrl+H (Find & Replace) in order to *clean-up* your numbers.
- In sheet data1, 2, etc., only enter numbers in columns D and I.