Build a Driver-Based Quarterly Forecast

FP&A | Intermediate | 75-90 minutes (estimate)

Base monthly operating forecast - USD

Driver / P&L	October	November	December	Quarter
Units	1,100.00	1,155.00	1,212.75	3,467.75
Realised price / unit	100.00	100.00	100.00	-
Variable cost / unit	62.00	62.00	62.00	-
Revenue	110,000.00	115,500.00	121,275.00	346,775.00
Variable costs	68,200.00	71,610.00	75,190.50	215,000.50
Contribution	41,800.00	43,890.00	46,084.50	131,774.50
Fixed costs	28,000.00	28,000.00	28,000.00	84,000.00
Operating profit	13,800.00	15,890.00	18,084.50	47,774.50

Downside monthly operating forecast - USD

Driver / P&L	October	November	December	Quarter
Units	990.00	1,039.50	1,091.48	3,120.98
Realised price / unit	98.00	98.00	98.00	-
Variable cost / unit	64.00	64.00	64.00	-
Revenue	97,020.00	101,871.00	106,964.55	305,855.55
Variable costs	63,360.00	66,528.00	69,854.40	199,742.40
Contribution	33,660.00	35,343.00	37,110.15	106,113.15
Fixed costs	28,000.00	28,000.00	28,000.00	84,000.00
Operating profit	5,660.00	7,343.00	9,110.15	22,113.15

Fractional units are permitted expected planning volumes. Do not round intermediate calculations. Sales validates order volume, commercial finance validates realised prices, and Operations validates unit costs. Refresh the forecast when confirmed volume falls below the base path or signed supplier unit costs exceed the base assumption.

Interpretation and recommended actions

Base units are 1,100 / 1,155 / 1,212.75. Base monthly profits are $13,800 / $15,890 / $18,084.50, totaling $47,774.50. Downside profits are $5,660 / $7,343 / $9,110.15, totaling $22,113.15; the shortfall is $25,661.35. Validate demand with Sales, realized pricing with commercial finance and unit cost with Operations. Examples of triggers: confirmed order volume below the base path and signed supplier rates above $62. Do not present scenario volume as committed orders.

Scoring rubric - 100 points

Dimension	Points	Awarding guidance
Calculation	40	Monthly base drivers and P&L 20; downside 15; quarter bridge 5.
Interpretation	25	Correct application of the case rules 10; explain the business decision 10; identify evidence or limitations 5.
Controls / audit trail	20	Traceable formulas 8; independent reconciliation 8; explicit units and signs 4.
Communication	15	Decision and numerical headline 5; actions with owners and evidence 5; concise response covering all required deliverables 5.

Award method credit after an isolated arithmetic error rather than repeatedly deducting for it. Equivalent account labels and well-supported alternative recommendations are acceptable. Numerical tolerance is 0.01 in the stated units; no universal passing score is prescribed.

Common mistakes

Applying 5% growth to September every month; changing profit directly; describing the downside as a quantified probability.

Staged hints

Carry October units into November. Keep monthly fixed cost unchanged in both cases. Reconcile quarter profit independently from quarter revenue and cost.

Instructor notes

Prerequisites: FPA-01 and forecasting basics. The total duration of 75-90 minutes is a planning estimate, not a tested completion time. Allocate class time according to prior knowledge and reserve time for discussion of the decision and evidence.

For a simpler class, provide the model structure and work through one driver. For an extension, change one operational assumption and require a new reconciliation and recommendation. Verify the new key before distributing any variant. Open files in the intended spreadsheet application before class. Solutions are learning resources, not secure hiring examinations.

Decision

Use the driver-based downside as a planning scenario and obtain named owners' validation before committing resources.

Evidence and reasoning

Lower volume, lower price and higher unit cost compound the profit decline while fixed costs remain unchanged. Fractional units are allowed expected planning volumes, not physical dispatch instructions.

What would change the conclusion

Confirmed orders below the base path or signed unit costs above the base assumption trigger a refresh. Review realised price with commercial finance; do not treat the downside as a measured probability.