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Scenario Modeling in the Oracle EPM Cloud

Finance users require powerful and agile tools to analyze the effects of fast-changing business circumstances and uncertainties inherent in long-range financial forecasts. Many finance departments rely on customized spreadsheets to do financial modeling and impact analysis for these forecasts. Such customized spreadsheet solutions are challenging to manage, lack data transparency and integrity, do not integrate with operational plans, and are not efficient at handling treasury and financial modeling activities.

Scenario Modeling is built-in financial modeling functionality within Planning in the Oracle EPM Cloud that addresses this problem. It enables users to quickly create long-range forecast models for fast-changing business dynamics using built-in sophisticated scenario modeling capabilities and debt and capital structure management features.

Scenario Modeling is built within the Oracle EPM Cloud platform, and users can work within the familiar Smart View and Web Interface.

KEY BUSINESS BENEFITS

- Prebuilt financial intelligence for sophisticated what-if modeling
- Completely integrated with annual financial and operational plan
- Built-in, configurable best practices
- Align across ERP and operational processes for greater agility
- Improve decisions with built-in intelligence and advanced analytics
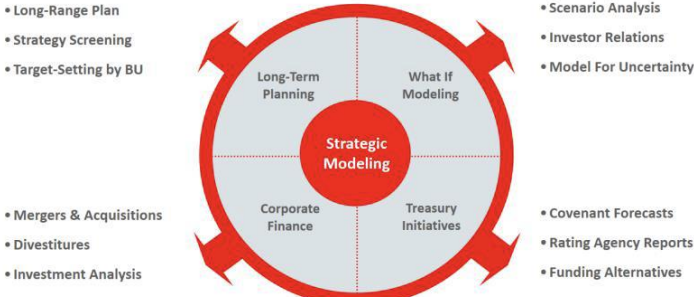
Figure 1: Secnario Modeling provides out-of-box capabilities to handle all aspects of long-range financial modeling

MODEL FOR UNCERTAINTY

In a fast-changing business climate, Scenario Modeling is an ideal solution for what-if modeling of business risks. Users spend time simulating long-term alternative strategies, developing contingent scenarios, and stress testing financial models, rather than building or auditing those models in spreadsheets or other non-dedicated systems. Using the built-in scenario modeling capabilitieswithin EPM Cloud, users proactively and effectively respond to changing industry and economic dynamics. Scenario Modeling allows users to create numerous distinct scenarios for each business unit. Users can also evaluate sensitivity to key performance drivers and run periodic "goal-seek" checks to determine the performance level needed to achieve specific financial objectives.

Figure 2: Scenario Modeling comes out of the box with built-in scenario modeling features like goal-seek. Iterative calculation logic, instant calc and undo capabilities are built-in.

ALIGN STRATEGY WITH PLANS

Financial models reveal the impacts of strategic decisions on an organization's bottom line, balance sheet, cash flow, and shareholder value. Within Scenario Modeling, financial modelers can use built-in financial intelligence to assess the impact of their what-if strategic scenario models on financial statements. Modelers consolidate various what-if models for different lines of business, or legal entities or planned projects to give an enterprise view of the long-range financial plan. These

plans form the basis for setting targets for the bottom-up operational plans. Similarly, operational changes in the approved bottom-up forecast feeds into the long-range models, thus ensuring the integrity of the closed-loop planning cycle. Scenario Modeling aligns strategy with the operational plan by setting meaningful targets, performing quick financial impact analysis, and presenting focused financial information for informed decision-making.
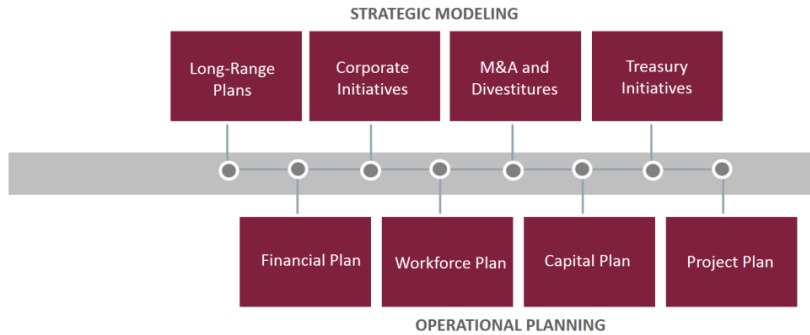

Figure 3: Scenario Modeling integrates tightly with bottom-up operational plans to close the loop between top-down and bottom-up financial planning.

OPTIMIZE CAPITAL STRUCTURE

Cash flow and balance sheet forecasting are critical elements in any planning environment. Scenario Modeling delivers financial intelligence that links all aspects of financial performance -- from earnings potential through working capital management to capital expenditures, taxes, and the capital structure -- to support the organization. With Scenario Modeling, users can address the complex iterative nature of funding, the impact of strategies on credit ratings, and capital structure optimization. Scenario Modeling offers special features like treasury planning, allowing value creation and reducing an organization's cost of capital.

SAVE TIME AND MONEY WITH PREBUILT FINANCIAL TOOLS

Unlike spreadsheets, Scenario Modeling delivers easy-to-use, built-in financial modeling tools. Users do not need to spend time writing sophisticated financial logic from scratch. Instead, using the packaged capabilities in Scenario Modeling, finance managers can effortlessly add sophisticated what-if modeling to their financial planning process.

Inherent within these value propositions are features that act as powerful enablers:

ANALYZE TRAIL

The analyze trail feature provides an understanding of the logic of a model. By presenting the most complex relationships in numbers and words, the information in the model becomes transparent to all participants in the strategic planning process. Instead of following countless different "auditing arrows," users have an elegant and intuitive way to view the assumptions and calculations in the model.
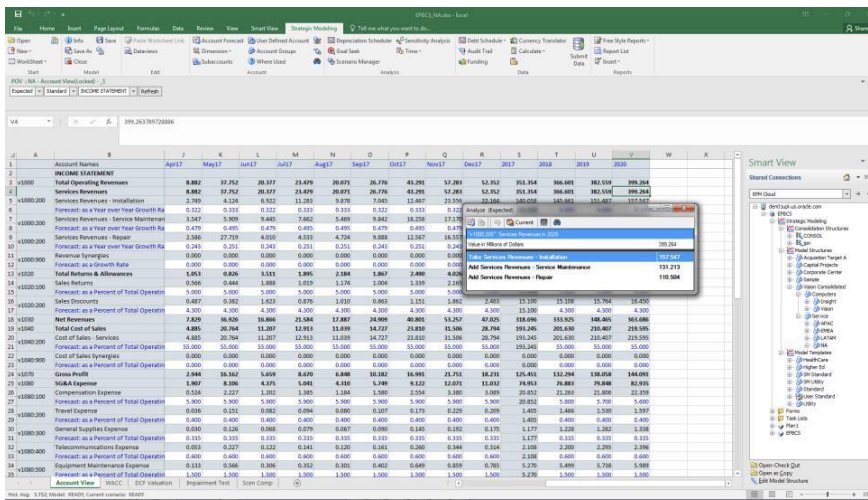
Figure 4: Scenario Modeling works within Microsoft Office Interface with out of box financial features. Shown here is an audit trail to trace any calculated values

FUNDING OPTIONS

Funding options is a sophisticated but easy-to-use feature that helps optimize capital structure and treasury strategies, thereby lowering financing costs. It provides a variety of methods for specifying the way cash surpluses and deficits are treated in the model, such as debt borrowing and repayments, dividend payments and share issues or repurchases.

DEBT SCHEDULER

Debt scheduler is an innovative feature that allows users to create fixed or variable-rate debt instruments, such as bonds and term loans, and update all financial statements accordingly, in just a few seconds. Whether monthly, quarterly, or any other time frequency of interest and principal payments, users can automatically obtain accurate calculations of the current debt and accrued interest, as well as the amortization of bond premiums, discounts, and issuance expenses.

DEAL PERIOD

The deal period feature simulates the effects that mergers, acquisitions, or divestitures will have on the organization based on the timing of the transactions.

CONSOLIDATION

The consolidation feature consolidates entities following the rules for financial consolidation, including minority Interest, equity, and cost methods of accounting for allowscross-scenario consolidations. For example, a scenario from one entity can be combined with another scenario from a second entity to give the 'most likely' scenario in the parent entity. Using extended analytics, Scenario Modeling allows users to move this data, the consolidation roll up, and percentages for each scenario to an external data store for corporate reporting needs.
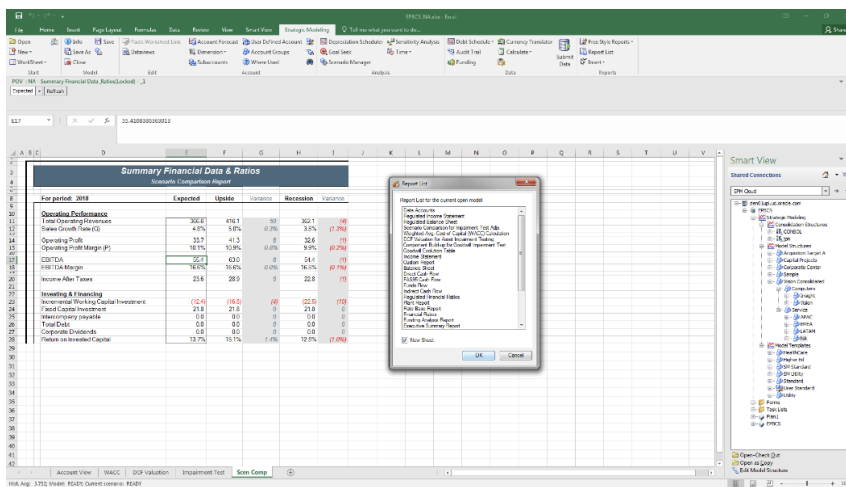
Figure 5: Scenario Modeling comes with out of the box financial statements and provides the ability to design and interact with any custom financial report, within both Excel and the Web.

INTEGRATED AND FREE FORM REPORTING

With its user-friendly reporting environment, Scenario Modeling lets users create professional quality reports and graphs. In addition, because the reports are self-contained in the financial models themselves, users are able to work on full models offline.

IN SUMMARY

In today's rapidly changing environment, relying on customized spreadsheets for financial modeling and impact analysis is less than optimal and puts unnecessary burden on the finance team. Solutions like Scenario Modeling in the Oracle EPM Cloud enable finance organizations to stay agile and remain one-step ahead.

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