Build a Driver-Based Quarterly Forecast

FP&A | Intermediate | 75-90 minutes (estimate) | FPA-01 and forecasting basics

Learning outcomes

Turn operational drivers into an explicit base and downside forecast. Calculate the result, reconcile it and communicate its limitations.

Method

Forecast units and realized price before revenue. Link variable cost to activity and keep period fixed costs separate. Scenario changes must flow through those drivers rather than being arbitrary adjustments to profit. A downside case is a specified scenario, not a probability estimate.

Smaller worked example

A separate month with 100 units at $50, $30 variable unit cost and $1,000 fixed cost earns $1,000 profit. A 10% volume reduction earns $800 if all other drivers stay fixed.

Business context and rules

Fictional Atlas Support, Q4 2026. September sold 1,000 units at $100, with $60 variable cost and $25,000 fixed costs. Base October units equal September units ×1.10; units then grow 5% sequentially in November and December. Price stays $100; unit cost is $62 each month; fixed costs are $28,000 each month. Downside each month has 90% of the corresponding base volume, price $98, unit cost $64 and unchanged fixed costs. Fractional units are allowed as expected-value planning volumes. No inventory, tax or financing; this is an operating forecast, not a cash forecast.

Original synthetic inputs

Input	Value	Unit
September units	1000	units
October growth multiplier	1.1	multiple
Monthly November / December multiplier	1.05	multiple
Base realized price	100	USD / unit
Base variable cost	62	USD / unit
Monthly fixed costs	28000	USD
Downside volume multiplier	0.9	multiple
Downside price	98	USD / unit
Downside unit cost	64	USD / unit

Required deliverables

Build monthly base and downside schedules showing units, revenue, variable costs, fixed costs and operating profit. Add a driver register naming who must validate demand, pricing and cost. Recommend two triggers for revising the forecast.

Use formulas for derived amounts and preserve source data. Put narrative deliverables in the workbook response area; expand it as needed. Compare amounts within 0.01 of the stated unit and percentages within 0.1 percentage point. No unsupported balancing plugs.