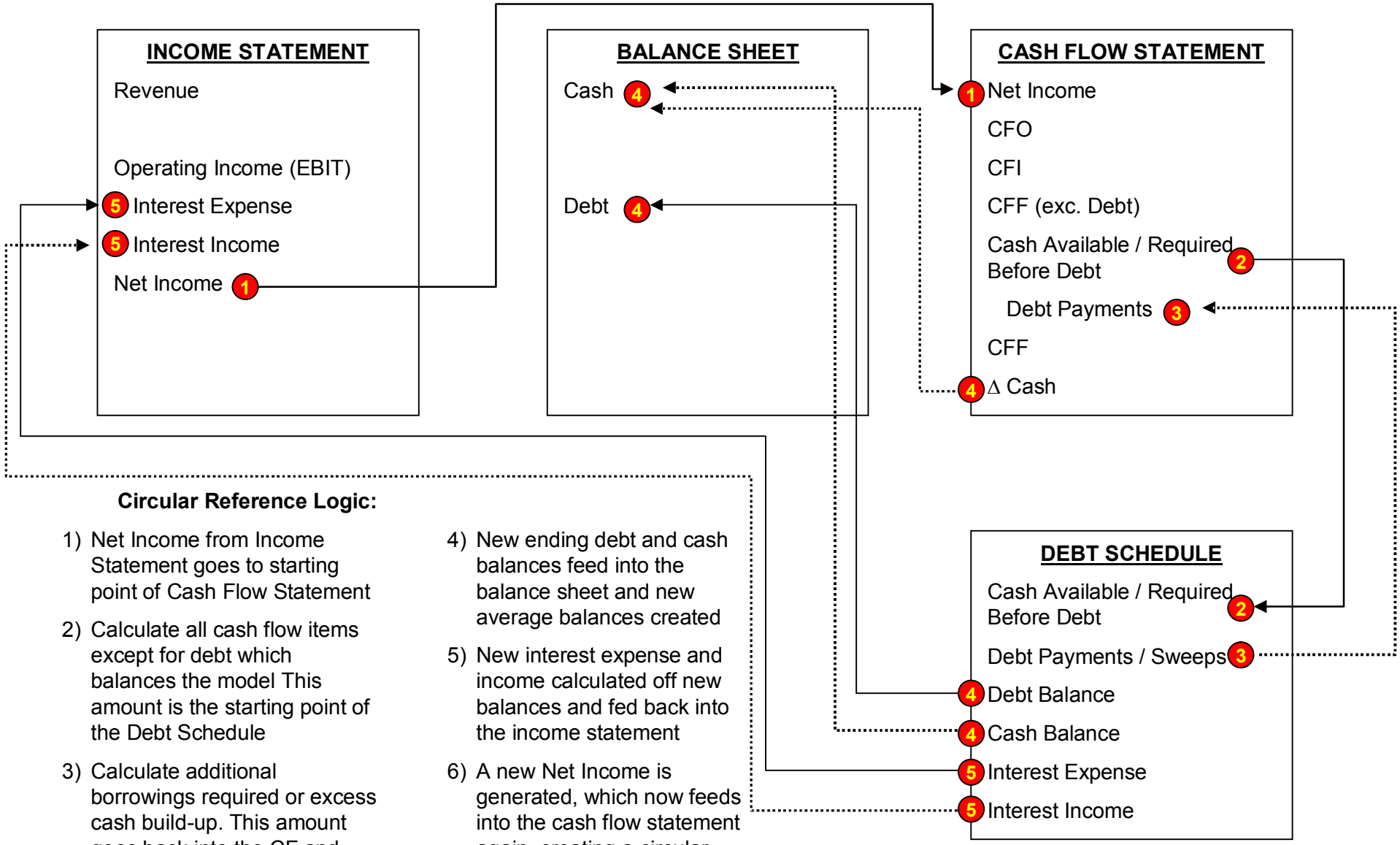
CIRCULAR REFERENCE



Circular Reference Logic:

1) Net Income from Income Statement goes to starting point of Cash Flow Statement
2) Calculate all cash flow items except for debt which balances the model This amount is the starting point of the Debt Schedule
3) Calculate additional borrowings required or excess cash build-up. This amount goes back into the CF and completes that statement
4) New ending debt and cash balances feed into the balance sheet and new average balances created
5) New interest expense and income calculated off new balances and fed back into the income statement
6) A new Net Income is generated, which now feeds into the cash flow statement again, creating a circular reference

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