nexacu
software skills training

Financial Modelling Guidelines

Ownership & Protection

- One analyst builds and owns the model
- Save all old model versions in a seperate folder, these act as a back up
- Passworrd protection of cells containing formulas will help minimise end-user error

Set-up

- Avoid multiple workbooks where possible
- References to external links should be clearly identified
- Import the links into an "input sheet"
- Then reference as required
- Provides more transparancy and allows the link to be broken without resulting in hardcoded values being locked into formulas

Structure

- **Menu** - Hyper links to all relevant sheets
- **Inputs** - Clearly ifnyified cell for data entry
- **Calculations** - This is the engine room of the model and cells should be protected
- **Outputs & Reports**

Inputs

- **Separate the "Inputs"** from the calculations
  - User knows exactaly where they need to enter data
  - Reduces the likelihood of a user inadvertently tampering with calculations
- **Input data only once** - then always refer back to this cell
  - Future changes to this input only have to be updated once
  - Avoids potential inconsistencies

Formatting

- Use Consistent formatting
  - Highly beneficial when sharing models with co-workers
  - Allows them to get a quick handle on a new model
- Consistent colour coding and formatting of inputs is a must

Calculations

- Simple is best
- Always opt for formulas over VBA where possible
- Aim to have one consistent formula in each row or column
- Keep column and row headings consistent eg. "Jan 2021" is alwways in column "C"
- Test as you build, add error checks
- Limit the use of modelling tools such as spinners as they introduce an extra layer of complexity

Outputs

- Have one summary sheet displaying all key results and metrics
- Additional reports, charts and dashboards can be added to suit business needs

Documentation

- Models should be logical and reasonably self-explanatory
- Use comments and user guidelines where necessary for more complex calculations