**The most expensive Excel mistake: London Whale**

Excel is a product that is made by Microsoft, which is the most used in the world and includes many features such as tabulation and formula application. Today, many companies use this product in many areas such as preparing tables and applying different formulas, but since this product has many features, it contains many seemingly simple but important errors such as observing differences or changes in formulas or data types. Since these errors are small errors that are not easily noticed, it costs companies large budgets to solve the error and identify the source of the error (Dolfing, 2024). At the same time, since this mistake is reflected in many of the company's reports, including important reports such as finance and budget, it becomes difficult and costly to revert (Stokdyk, 2013). One of the most significant errors that is caused by Excel occurred at JPMorgan Chase in 2012. Because of a simple copy-paste formula error, the company lost more than $6 billion (Dolfing, 2024). This incident, also known as the "London Whale" debacle, took place within the bank's Chief Investment Office in London (Stokdyk, 2013).

**Problem:**

A faulty Value at Risk (VaR) model that was used to evaluate trading risks was the cause of this big loss. The model in the Excel contained an important error. The model subtracts the old rate from the new rate and then the spreadsheet divided by their sum instead of their average (Dolfing, 2024). This was a crucial Excel mistake in the model. The possible trading losses were significantly underestimated as a result of this error in judgment (Stokdyk, 2013). And because of the miscalculation Excel error, the company suffered a huge financial loss, and at the same time, trust in the company decreased (Dolfing, 2024).

**Cost Implications:**

The financial loss and impact were significant because the miscalculation affected the accuracy of JPMorgan reports. Due to reports containing errors, they took larger trading positions than advisable, which led to regulatory scrutiny, decreased investor trust, and losses exceeding $6 billion (Stokdyk, 2013). Since this mistake reduced the brand value and the trust the bank gave to its investors, its losses were substantial (Dolfing, 2024).

**References:**

1. Dolfing, H. (2024, July 2). *Case Study 18: How Excel Errors and Risk Oversights Cost JP Morgan $6 Billion*. Retrieved from <https://www.henricodolfing.com/2024/07/case-study-jp-morgan-chase-london-whale.html>
2. Stokdyk, J. (2013, March 15). *Excel errors: JP Morgan’s whale-sized classic*. AccountingWEB. Retrieved from <https://www.accountingweb.co.uk/tech/excel/excel-errors-jp-morgans-whale-sized-classic>