Some Top
Modelling Tips
Before You Start

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❖ You may be an experienced modeller

❖ You may be self taught

❖ You may be completely new to modelling

❖ No matter, here are some simple tips to help you to create a better model.

Some Top Modelling Tips Before You Start

❖ When creating your model use colour coding to differentiate between input cells and formula cells

❖ I like to highlight my input cells in green

❖ You can simply change the font colour if you wish

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❖ When creating a simple three statement financial model, its easier to have all three statements on one sheet

❖ There will be many interconnections between these statements and its easier to programme them and to audit them if they are on one sheet

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❖ Make sure that your input assumptions are clearly separate from the financial statements

❖ These can have a separate sheet if you wish or they can be at the top of the financial statements page

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❖ Clearly differentiate the sections of your model with formatting and shading

❖ This makes your model visually more appealing and easier to navigate

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❖ You can use the cell comments feature (shift +f2) to explain formulas or assumptions if they need further explanation

❖ Regard this as a discussion with the person working through your model to help them to understand your intentions and, if they are making inputs to the model, precisely what you expect them to input where.

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❖ Where appropriate build in error checks which are easy to see

❖ The most obvious is the check to make sure that your Balance Sheet always balances

❖ If the reader sees the check throwing up an error they are more likely to correct it

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❖ It is perfectly acceptable to bring forward lines of your model to other parts to help the logic to flow more easily

❖ Bring forward the opening EBITDA line to the start of the Cash flow calculation to make it more transparent

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❖ Avoid linking to other Excel spreadsheets if at all possible as this can create updating and recalculation issues.

❖ If this is essential, format these cells to make them clear

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❖ Avoid circularity at all costs

❖ You can use iterative calculations or even breaks where you cut and paste values if necessary - the latter is very crude modelling

❖ Watch the interest line as this is one of the main causes of circularity when interest affects cash balances in the Balance Sheet and the Cash Flow statement

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❖ Use tables and charts to present your results clearly

❖ If you wish create an out put sheet which presents your results in a smartly formatted way which is also easy to follow and understand

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