

numeritas

SCILS

FINANCIAL MODELLING

KEY PRINCIPLES FOR BUILDING BEST PRACTICE FINANCIAL MODELS

MODELLING 'SCILS'

Separation

Consistency

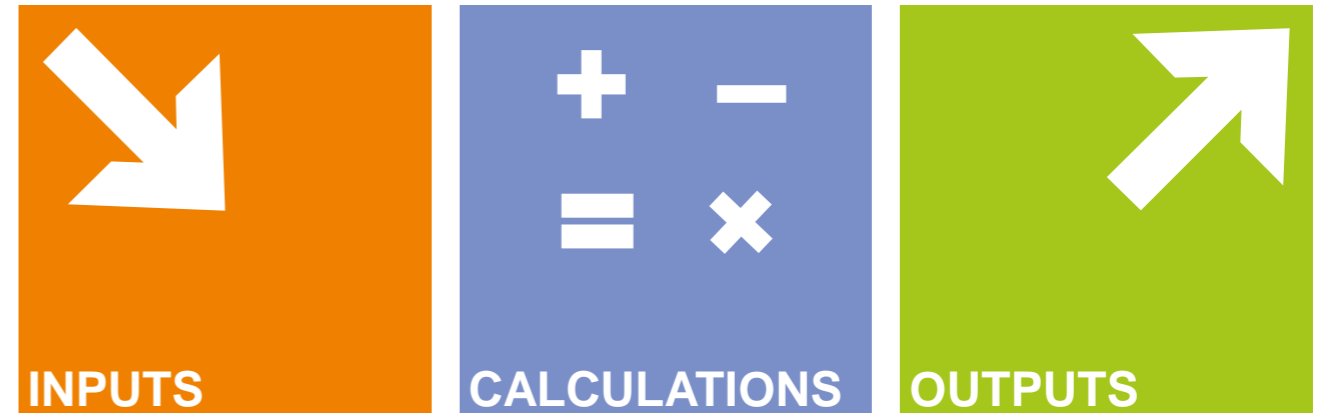
Integrity

Linearity

Simplicity

SEPARATION

- + Separate inputs, calculations and outputs
- + Separate formulae from input values
 - do not mix in a single cell, e.g. `=B$14*1.65` is bad!
- + Colour code input cells (and possibly other types of cells)
- + Single point inputs (e.g. only one input for model start date on one sheet)
- + No unused inputs (users will expect them to influence outputs)



CONSISTENCY

- + Keep formulae the same across an entire row
 - maintains logical integrity of model if inputs change
 - aids maintenance and modification
 - aids review
- + Keep the same time period in the same column on all sheets
- + Keep items that appear more than once in the same order

A	B	C	D	E	F
			2016	2017	2018
Input					

A	B	C	D	E	F
			2016	2017	2018
	Calc				

A	B	C	D	E	F
			2016	2017	2018
		Out			

INTEGRITY

- + Build in a balance sheet
- + Do not use 'fudge factors'
- + Reconcile actual cash payments/receipts to movements in balance sheet
- + Do not make cash a balancing item
- + Rounding should not be a solution to balancing your balance sheet

	Net assets	324	422	531
	Total equity	324	422	531
Checksum <input checked="" type="checkbox"/>	Difference	0	0	0

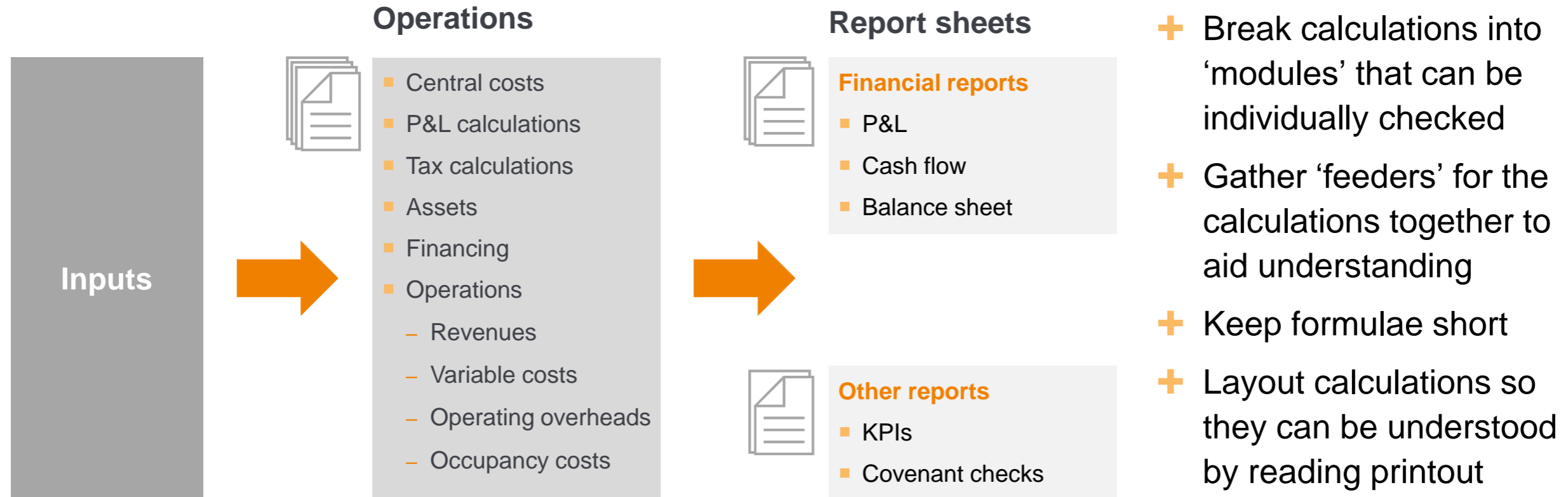
LINEARITY

	A	B	C
1	=A3		
2	2		
3	=SUM(A1:A3)		

	A	B	C
1			
2			
3			

- + No circular references
- + Logical flow from top to bottom, left to right, front to back
- + Do not turn on iteration

SIMPLICITY



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