

What Makes a Good Financial Model?

Recommended Reading: See the section on “What Makes a Good Financial Model” in Chapter 3, Page 70 of [Using Excel for Business Analysis](#). Below is an extract from this chapter:

- Download the Model Assessment Checklist to check your own financial models against best practice

A well-built model will have the following user-friendly features and structural attributes:

What Makes a Good Model?

User Friendly Features

- Well documented assumptions
- Explains the functionality.
- Flows logically (left to right and top to bottom)
- Inputs and outputs, workings and results are clear and easy to find
- Contains in-built error checks
- Easy to navigate and find desired information
- Should contain instructions
- Printable – outputs are summarised and fit onto printable pages

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See “Using Excel for Business Analysis”, Chap3, p70

What Makes a Good Model?

Structural Features

- The only hard-coding should be the inputs and source data. All other information is linked.
- Duplication is minimised
- Names, formulas and formats should follow a consistent convention
- Is modular and scalable
- The most efficient function is used

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See “Using Excel for Business Analysis”, Chap3, p70

Protecting, Hiding and Grouping

Recommended Reading: See the section on “Bullet-Proofing your Model” in Chapter 7, page 204 of [Using Excel for Business Analysis](#). Below is an extract from this chapter.

If your model is publicly available, or if you have a lot of users entering data into it (*especially* if their Excel skills are questionable), it's a good idea to spend some time protecting it and making sure that all your hard work is not inadvertently corrupted!

Methods of Model Protection

Once you have completed building your model, there are three basic layers of protection you can include:

1. **Protect the file** so that no one can open it without the password.
2. **Protect the structure** of the workbook so that no structural changes can be made (normally used for hiding sheets and restricting access to them).
3. Unlock individual cells on the worksheet and then **protect the sheet** so that only those cells that are unlocked can be changed.

Protecting the structure or worksheets can be done with or without a password. Passwords are case-sensitive.

Warning: Bear in mind, that passwords can be hacked reasonably easily. Note that there are programs out there that can decode a password. (Try typing “Crack Excel password” into Google sometime.) If your file contains highly sensitive information, do not rely on passwords in Excel. Password protection is intended to be a deterrent, not a definitive solution.

Protecting, Hiding and Grouping on a Staffing Budget Model

Background: We're creating our departmental budget and we'd like to forecast how much our staff will cost us based on their start dates.

1. In cell **D3**, calculate the staff costs with the formula **=C3*B3** and copy it down
2. In cell **F3** we now need to calculate their costs using an IF statement. Your formula should be **=IF(F\$2>\$E3,\$D3/12,0)**. Copy it across and down the block of data.
3. Add your totals in column R and in row 7

Now, the way we have built this, it will allow the user to enter any date in column E. We don't want this to happen because the way our formula works it will only calculate from the start of the month, so we need to restrict the user entry in column E.

4. Change cells **E3:E6** so that it will only allow the dates that have been entered into our schedule. We can do this using a data validation drop-down box like the one shown below:

