



Improving your model building practice

INTRODUCTION TO THE FINANCIAL MODELLING CODE

22 FEBRUARY 2019

Today's presenters

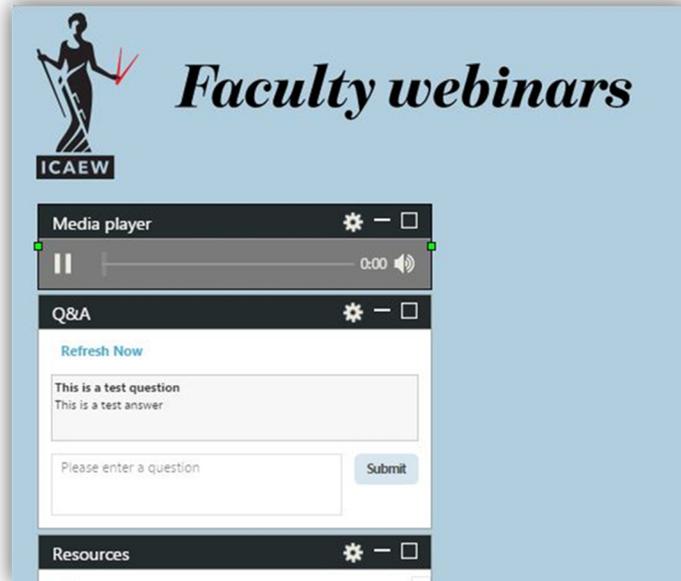


David Lyford-Smith



Alistair Hynd

Ask a question or download resources



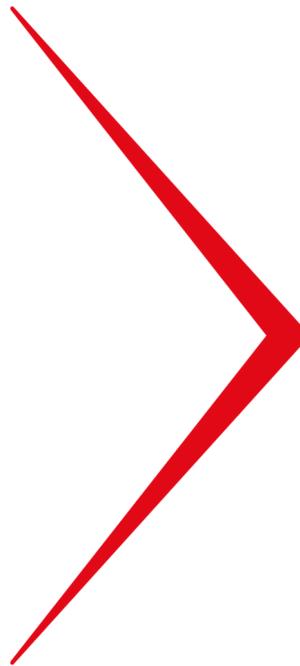
Audio problems?

ENSURE YOUR SOUND IS TURNED ON

If you experience poor sound quality you may benefit from refreshing your page

Ask a question

Type your question into the question box then click submit.

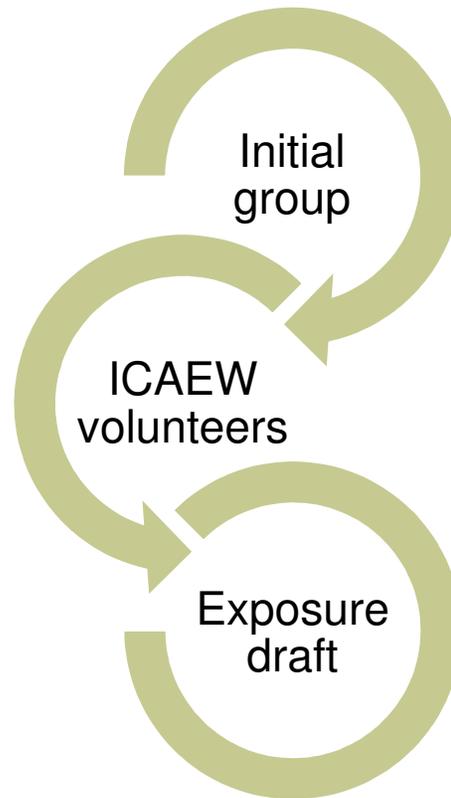


*Modelling is done
everywhere*

Why the Financial Modelling Code is needed

- Financial models are built for a wide variety of purposes by users of all kinds
- Models underpin vital economic decision-making
- Modellers don't agree on methodology
- Procurers don't know how to get a consistent, quality product

How the Financial Modelling Code came to be



Who is supporting the Financial Modelling Code



The Financial Modelling Code explained

Chapter heading

User interface and transparency

Guidance heading

A model is not a static object, but one which the end user will interact with and manipulate. Creating a model that is easy to use and understand is not simple, but can be done with appropriate care and attention.

Explanation

INCLUDE USER GUIDANCE

Although models should be built to require minimal external explanation, appropriate guidance to help facilitate understanding and proper use should be included. This should also include any key assumptions made in calculations (eg, 'all cash flows occur at the end of the appropriate period').

Specific guidance

- ✓ Include in the model a worksheet dedicated to being a user guide.
- ✓ Embed a separate user guide document in the workbook.
- ✓ Add contextual user guidance throughout the model where appropriate.

Advocated approaches

- ✗ Don't store documentation in a separate file or email that may become separated from the model itself.

Discouraged approach

PRINCIPLE #7

Include an 'About' or 'Welcome' worksheet to document the spreadsheet.

Cross-reference to the "Twenty Principles for Good Spreadsheet Practice"



THE FINANCIAL MODELLING CODE

A practitioner's perspective

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Why do we need a code?

- Quality of spreadsheet development highly variable
- Buyers don't know what to ask for / what good looks like
- Spreadsheet errors persistent and pernicious



52%

of models contain high risk coding issues.*

*RSM analysis



62%

of models contain formulae that evaluate to an error.*



4x

Models that are above average complexity are four times more likely to contain high risk issues.*

Spreadsheets keep hitting the headlines

“M&S results hit by spreadsheet mishap”

Financial Times

“Spreadsheet error costs Tibco shareholders \$100m”

CFO.com

“SuperGroup in new profit warning after maths error”

The Independent

What does the Code cover?

- Model definition and purpose
- Layout and structure
- User interface and transparency
- Consistency
- Clarity
- Error reduction
- Calculation techniques

What does it look like in practice?

Financial Modelling Code: Questions to consider

- If you make models:
 - Do they follow the recommendations of the Code, or is there a strong reason why not?
 - Can the Code help you explain the value of your best practice or inform a conversation with an actual or prospective client?
 - Could your organisation be a supporting body for the Code?
- If you commission or use models:
 - Can the Code help to inform a conversation with your internal modeller, or help provide a guide for your procurement?
 - Can you use the Code to help you judge whether you're getting a good quality product?
 - Could your organisation be a supporting body for the Code?

Future webinars

26 Feb – Understanding the Excel Community

25 Mar – Tech essentials – automating your practice

23 Apr – Excel Tip of the Week #6

07 May – The game changing modern Excel features

icaew.com/itfacevents

Thank you for attending

Contact the Excel Community

 +44 (0)20 7920 8526

 excel@icaew.com

 icaew.com/excel

Join the Excel Community at icaew.com/joinexcel

Please take the time to fill out the short survey

