Developed over many years of experience, these **10 best practices** are useful tips you can apply when developing any **financial model**.

**Keep it simple and transparent**
- Make the calculations and logic easy to understand
- Break formula down into simple, logical, easy-to-follow calculations
- Keep calculations transparent – avoid hiding any rows, columns or sheets

**Identify and separate inputs, calculations and outputs**
- Separate input cells and format them so they are clearly identifiable
- Locate inputs in their own cells and do not have constants (hardcodes) within a formula
- Keep calculations and outputs separate from each other
- Treat any links to external workbooks as inputs and identify them with consistent formatting

**Format in a clear and consistent manner**
- Establish a format for cell color, font color and sheet tab color
- Include a format key to explain formats to model users
- Apply formatting consistently throughout the model

**Use structured and descriptive labeling and units**
- Ensure every row has an accurate and useful description
- Label each sheet clearly and consistently
- Clearly identify the units of every line item

**Keep the flow natural – left to right, top to bottom**
- Ensure every row has an accurate and useful description
- Label each sheet clearly and consistently
- Clearly identify the units of every line item

**Use consistent column headings throughout the model**
- Assign each column a clear purpose that is the same on every sheet
- Use the same columns on every sheet for time-series headings
- Where multiple periodicities are used, do not mix them on a single sheet and ensure they always start in the same column

**Use one unique formula per row that is copied across**
- Logic is always in one place, and the same place, in each row
- Prevents errors that arise from copying over mid-row formula changes
- Makes reviewing/testing and future maintenance easier and safer

**Make extensive use of error checks**
- Use error checks frequently throughout the model to check that it is internally consistent and avoids illogical outputs
- Link all error checks to a central location that instantly alerts the model user on every sheet if an error occurs

**Include table of contents, user instructions and explanations**
- Include a description setting out the model purpose, functionality and limitations
- Make user instructions as clear and as simple as possible.
- Summarize the content of the model in a table of contents

**Keep it simple and transparent**
- Avoid circular references due to their risky properties and slow calculation speed
- Avoid INDIRECT and OFFSET. As volatile functions, they are very difficult to check and they slow calculation speed
- Ensure outputs do not contain value errors (e.g. #N/A, #REF!, #DIV/0!)

Our experience suggests that when models adhere to **best practices**, the likelihood of errors within the model is **significantly reduced**.
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Top 10 modelling best practices

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