



F1F9 eBooks

A large, semi-transparent image of a hand with fingers spread, palm facing forward, is centered in the background. The entire image has a blue gradient overlay.

# 10 SIGNS THAT **SPREADSHEETS** **ARE KILLING** YOUR FINANCE FUNCTION

**F1F9**

[WWW.F1F9.COM](http://WWW.F1F9.COM)

# IS THIS EBOOK RIGHT FOR ME?

NOT SURE IF THIS EBOOK IS QUITE RIGHT FOR YOU?  
SEE IF WHAT YOU ARE ABOUT TO READ MATCHES YOUR REQUIREMENTS

**F**

## **FAST FINANCIAL MODELLING**

Useful, practical information about FAST financial modelling, managing modelling projects and good modelling practice.

**BA**

## **BANKING & ADVISORY**

Targeted at, but not exclusive to, banking and advisory practice areas, exploring modelling topics like credit analysis, debt structuring etc...

**PF**

## **PROJECT FINANCE & PPP**

Focussing on the kind of transactional modelling typically associated with the development of infrastructure, PFI and PPP projects.

**E**

## **ENTERPRISE REPORTING & ANALYSIS**

Useful information and practical guidance on the application of modelling discipline and standards to improve business decision making.

**EN**

## **ENERGY & NATURAL RESOURCES**

Insight and practical guidance on the application of good modelling practice specifically related to these often complicated business areas.

THIS  
GUIDE →

**F**

**FAST FINANCIAL  
MODELLING**

**BA**

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& ADVISORY**

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& PPP**

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# CONTENTS

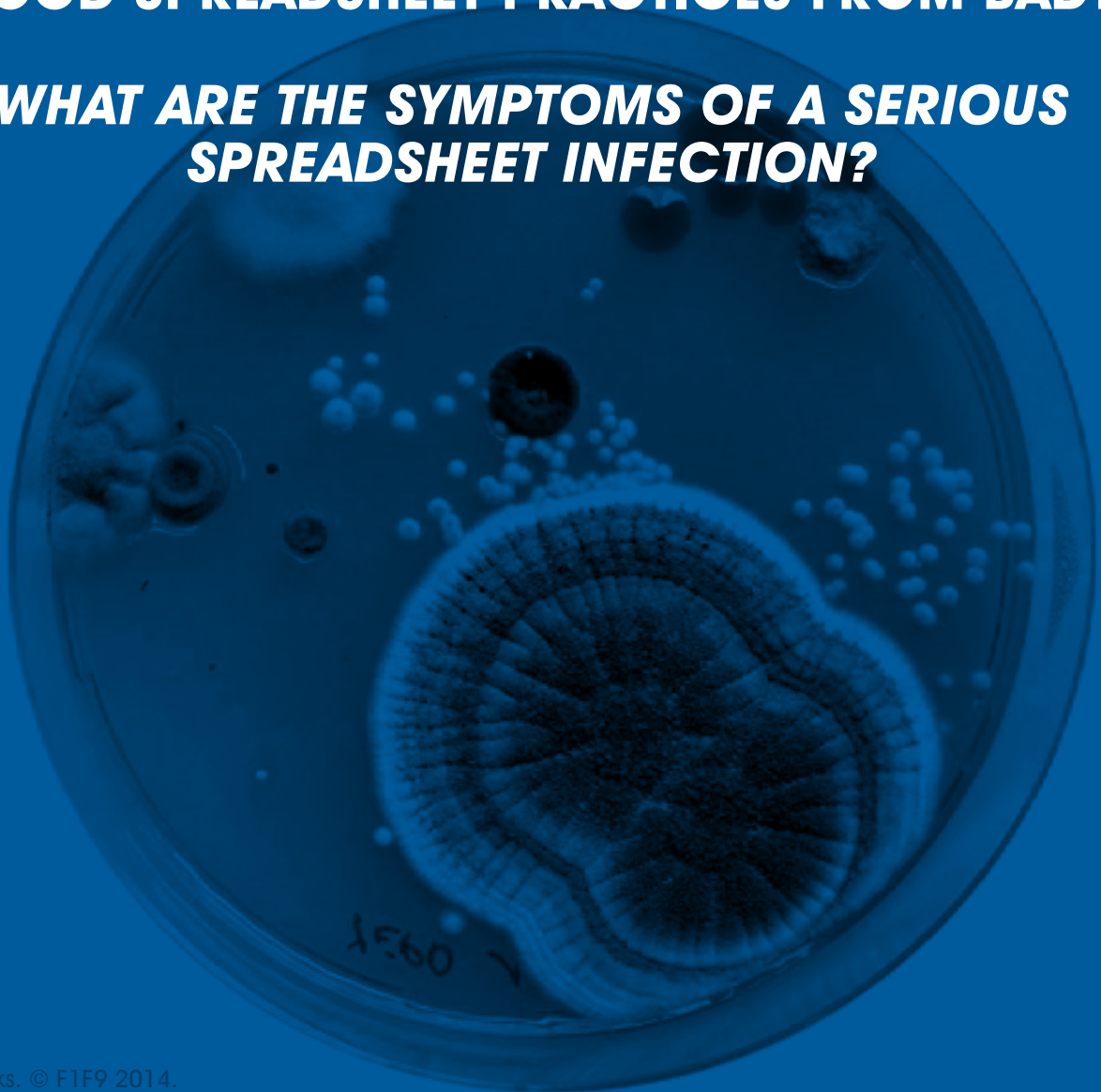
<b>IS THIS BOOK RIGHT FOR ME?</b>	<b>2</b>
<b>SPREADSHEETS ARE LIKE BACTERIA...</b>	<b>4</b>
<b>1. SLEEP DEPRIVATION</b>	<b>6</b>
<b>2. MALNUTRITION</b>	<b>8</b>
<b>3. MYOPIA</b>	<b>10</b>
<b>4. AMNESIA</b>	<b>12</b>
<b>5. STDs</b>	<b>14</b>
<b>6. MEGALOMANIA</b>	<b>16</b>
<b>7. INSANITY</b>	<b>18</b>
<b>8. PARALYSIS</b>	<b>20</b>
<b>9. PARANOIA</b>	<b>22</b>
<b>10. RIGOR MORTIS</b>	<b>24</b>

# **SPREADSHEETS ARE LIKE BACTERIA. SOME ARE GOOD, SOME ARE BAD.**

AND LIKE BACTERIA, GOOD SPREADSHEETS ARE  
ESSENTIAL TO FINANCIAL HEALTH AND WELL-BEING.  
EQUALLY THOUGH, BAD SPREADSHEETS PROLIFERATE  
*AND CAN CAUSE A LOT OF PAIN.*

GIVEN THAT FINANCE FUNCTIONS DEPEND ON  
THEM FOR SURVIVAL, **HOW CAN YOU TELL  
GOOD SPREADSHEET PRACTICES FROM BAD?**

***WHAT ARE THE SYMPTOMS OF A SERIOUS  
SPREADSHEET INFECTION?***





## ABOUT F1F9

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F1F9 provides financial modelling and business forecasting support to blue chip clients and medium-sized corporates. We also teach financial modelling skills to companies around the world. Our clients have access to high quality, low-cost modelling support delivered by over 40 professional modellers.

F1F9 co-developed the FAST Standard that allows modellers and non-modellers to work together and understand financial models. Transparency is the core value that drives our modelling and our business activities.

# No.1



# SLEEP DEPRIVATION

## SYMPTOMS:

- Slow to start in the morning.
- Yawning during afternoon meetings.
- Forgetting the names of colleagues.
- Tripling your already impressive coffee consumption.
- Sometimes seen with an odd imprint of a keyboard on one side of your face.
- Your underdesk bin is overflowing with empty energy drink cans.

## DIAGNOSIS:

It is month end again and you are spending all waking hours (as many as you can muster) getting the group reporting and commentary over the line and hoping that you can complete it before you start hallucinating. A **Wrinkle**<sup>4</sup> in the **Spreadsheet Matrix**<sup>5</sup> makes it look as if Asia Pacific has increased revenue by 4,070% in March and is forecasting a shut down for Q3. Never mind: solve it with some hard coded numbers and we can come back and sort it out later. (Like later ever comes.)

Fast forward to next month... a member of your team catches you staring at your PC monitor for 10 minutes without even blinking. Nothing's changed. It is just as bad as last time.

**<sup>4</sup>Wrinkle: Untraceable error in a Spreadsheet Matrix.**

**<sup>5</sup>Spreadsheet Matrix: A complex web of interconnected spreadsheets that is understood by no more than one individual in the organisation.**

## TREATMENT:

In the short term you just need some sleep.

Of course that's not so easy to achieve when the Board is waiting for their reports. In the longer term you have to deal with the fact that your numerous spreadsheets are no longer fit for purpose. We know, nobody likes to be told their baby is ugly so this is sometimes easier said than done. Now is the time to standardise. From start to finish reporting could be one streamlined and transparent process. Those submitting data would be responsible for the quality of what is being sent in and what comes in might be turned into a meaningful set of reports in a reasonable time frame. And you might not kill yourself in the process.

\* READ THIS  
WHEN YOU WAKE  
UP

FIF9  
PRESCRIPTION

Running an effective finance function starts with being able to share spreadsheets between different members of the team. That requires standardisation.

Please don't stamp over age box  
Number of days' treatment  
N.B. Ensure dose is stated  
Endorsements

Number:

PRESCRIPTIONS ON FORM

CHECK OUT OUR EBOOK : HOW TO STANDARDISE MODELLING  
[HTTP://INFO.FLF9.COM/HOW-TO-STANDARDISE-MODELLING](http://info.flf9.com/how-to-standardise-modelling)

X  
X  
X



# No.2 MALNUTRITION







## SYMPTOMS:

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- Your local pizza delivery company recognises your voice when you call.
- *Advanced symptoms* may often exhibit as an account held with a fast food outlet, where the night-shift reception automatically send the delivery guys up to the finance floor.
- *Chronic cases* can be identified by a distinctive question “Red Bull with your pizza again sir?”

## DIAGNOSIS:

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Intercompany balances are all over the place. You missed lunch again but hey....it will probably be another **Late One**<sup>6</sup> anyway so you can just double up on pizza and garlic bread. Again. As long as you do a few laps of the park once the half-year is over, on a net basis things will be fine. The only problem is that after the half-year comes the budget. Perhaps you should have that salad, but you are craving sugary carbs having missed lunch.

<sup>6</sup>**Late One:** The norm. More accurately a 6.00pm departure from the office should be described as an Early One.

## TREATMENT:

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What some finance functions put themselves through month in and month out is tantamount to physical torture.

Nobody should have to live like this. Those hipsters in sales or marketing don't know how good they have it. Table tennis anyone?

Get an understanding of what is causing the delays and then work with something that standardises the process. Problems get solved and if everyone works to the same set of standards then change is easier to implement.

[VIEW THE ICAEW FAST LAUNCH VIDEO](#)

# No.3 MYOPIA



## SYMPTOMS:

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Bewildered, rabbit in the headlights look and loss of focus when submitting reports close to, or after deadline.

## DIAGNOSIS:

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It is late in the day and the board needs the **Exco Pack**<sup>7</sup> a full 2 days before their **Offsite Strategy Day**<sup>8</sup>. You have been working so hard and long on the numbers that the focus is now on getting it out of the door, which is a little short-sighted to say the least!

What a great feeling not to miss the deadline but it is tempered by the nagging doubt that it really needed more than a **Cursory Review**<sup>9</sup>. Your finger hovers over the mouse as you fire and forget via the send button. Your face contorts and your eyes narrow: hope is a powerful emotion...it's gone.

The problem is that board members are experts at spotting the stand out errors on the summary page straight off the bat. If only you had more time to review...

<sup>7</sup>**Exco Pack:** 76 page monster reporting pack from which only the Exec summary ever gets read.

<sup>8</sup>**Offsite Strategy Day:** Day long intensive session at the golf course.

<sup>9</sup>**Cursory Review:** A spell check that has been undertaken on the cover sheet only.

## TREATMENT:

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Excel is an amazing business tool. However the flexibility that so many admire is also the reason there is such a high risk of errors.

The trick is to capture the benefits of flexibility whilst mitigating the error risk.

There are two immediate solutions: make the process of review more transparent; and design staged processes with their own inbuilt error checks. By using the FAST Standard (which is designed to make spreadsheet review easy), the review process is far simpler: the model is built up in blocks and outputs can be traced back through calculations to inputs.

Combine this with discrete, clearly defined processes that are reflected in a well designed model. Processes might include Input data, Filtering, Mapping, Calculations, Summary and Reporting. Each process should have its own set of checks.

**TIP:** We recommend regular use of the F11 key throughout the modelling process. F11 displays a quick chart of the highlighted data and helps you "take a step back". If you can explain the shape of the chart then there is a good chance that your model is showing sensible results.

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**CHECK OUT THIS GUIDE ➔**  
on creating quick charts, from the  
Financial Modelling Handbook

# No.4

# AMNESIA



SCHOOL 2:45

## SYMPTOMS:

- Last minute panic buying of birthday presents.
- Missed gym appointments.
- You hear 'aren't you meant to be somewhere else?' more often than you'd like.
- Family members leaving curt messages on your answerphone.
- The school are calling to say your child should have been collected 45 minutes ago.

## DIAGNOSIS:

Heads up! Shouldn't you be at that anniversary dinner with your other half? You know, the one whose photo you look at on your desk each day. When does the nativity play ~~start~~ finish? You planned to get that train home which might have just got you there on time, but....erm. You may as well stay and crack on. Your loved ones are the forgotten ones: it is lose-lose from here on in.

## TREATMENT:

When you cannot afford to forget that all important appointment, wouldn't it be helpful to ask a colleague to pick up where you left off?

The trouble is how do you collaborate on an impossible to hand over **Spreadsheet Matrix**<sup>5</sup>? Its structure is entirely in your head and your head needs to be elsewhere. If you were working to a standard then you might have plenty of options. Propose a quick handover and your colleague can hit the ground running. Plus the reduction in error rates achieved through using a standard may well mean that you can get away from the office on time and pick up tomorrow. Win-win.

PICK-UP FLOWERS  
FROM GARAGE.

**READ MORE** about managing a team of modellers. Standards are an important part of the story – but they're not the whole story. Check out our ebook – *"Managing Modelling: How to run an effective modelling team"*

# No.5

# STDs (SPREADSHEET TRANSMITTED DISEASES)





## SYMPTOMS:

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- Itching, burning sensation (caused by intense head scratching when reviewing an infected spreadsheet)
- Posterior discomfort (caused by sitting too long staring at a screen)
- Classic signs of panic and anger such as **Mouse Abuse**<sup>10</sup>

<sup>10</sup>**Mouse Abuse:**  
A reflex motion of the forearm in the vertical plane that is designed to improve mouse functionality but is rarely successful.

## DIAGNOSIS:

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Discovery of an STD can be a shock. It's likely that the infection has been around for quite a while and has been passed on from another modeller who was fiddling around with the spreadsheet previously. The STD only shows itself when a change to inputs gives a most unexpected outcome. That is when the trouble really starts. Curing one infection just shows up more that need to be dealt with.

You begin to call into question the virtue of past modellers. What might they have shared with you?

## TREATMENT:

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Protecting yourself against STDs is not easy...

You could go for **Spreadsheet Monogamy**<sup>11</sup> but the benefits of collaboration are lost and it can easily lead to symptoms of Megalomania (see below).

Far better is the use of an open, transparent standard for building models which means that the spreadsheet architecture and construction techniques are sound from the start and there are no **WRA formulas**<sup>12</sup> hiding STDs.

Consider contacting previous modellers with whom you have shared spreadsheets. It is important that they are aware of the significant problems that might arise from having an unknown STD (which can range from stress and discomfort, right through to serious embarrassment and job-loss).

<sup>11</sup>**Spreadsheet Monogamy:**  
One modeller; one spreadsheet.

<sup>12</sup>**WRA Formulas:**  
World Record Attempt formulas e.g. longest, most embedded functions, most unique functions in one line of code etc.

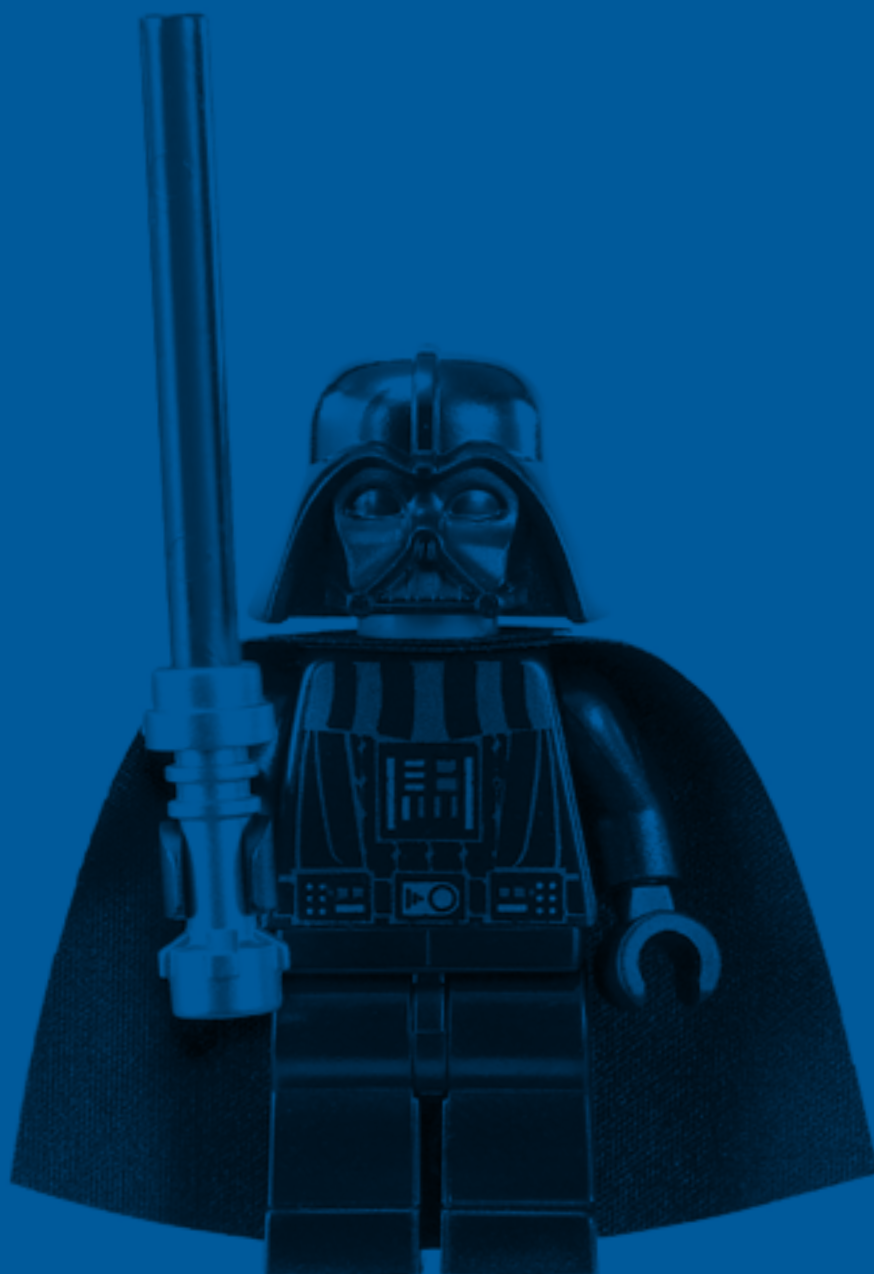
**F1F9**  
MODELLING HEALTH INFO

**Practice Safer Spreadsheeting.**

→ Take our free online modelling risk assessment [apps.f1f9.com](https://apps.f1f9.com)

**No.6**

# MEGALOMANIA



## SYMPTOMS:

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- Irritable and defensive when asked to share a model.
- Deafness (when receiving feedback).
- Very guarded when sharing for fear of STDs.

## DIAGNOSIS:

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One person in the building controls the model and no one else gets a look in. It is their life's work and the self-appointed **Excel Jedi**<sup>13</sup> answers to no-one. The model has a password but only the Excel Jedi knows what it is. Mind tricks will not work. Anything you want done has to go through the Excel Jedi and if they are on holiday then tough luck.

<sup>13</sup>**Excel jedi:**  
Sole modeller who has created a Spreadsheet Matrix with so many WRA Formulas that no other individual can penetrate it.

## TREATMENT:

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A single individual in possession of all the working knowledge of a model means increased risk.

The FAST Standard encourages collaboration and transparent review. It reduces risk. Models built using the FAST Standard are effective and sustainable.



# EMG!

**READ MORE** about the perils of spreadsheet megalomania. Check out our blog post about the – *“Excel Modelling Guru”*

# No.7 INSANITY



## SYMPTOMS:

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- Doing the same thing over and over again while hoping for a different outcome.
- Feelings of abject demoralisation.
- Denial.

## DIAGNOSIS:

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So you build a model and file it on the shared drive. Then 3 months later something changes. What's easier? Start again or update? It is safer to start again, you tell yourself. Then something else changes a few months later. What's easier? Start again or update?

## TREATMENT:

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How about building something that can adapt to change?

If you build a model using the FAST Standard, you can be confident of how and where to make changes such that the change feeds through the entire model. It is a great feeling: you have the confidence that change does not compromise model integrity. It also saves you a lot of time.

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LEARN THE BASICS OF THE FAST  
STANDARD APPROACH TO MODELLING.  
**Sign up for our free online course:**  
*31 days course to better financial modelling.*

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**No.8**

# PARALYSIS





## SYMPTOMS:

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- Involuntary slackening of facial muscles;
- Mute vocal response punctuated by “ums”;
- Loss of manual motor skills when required to print, send or present outputs;
- Feelings of constraint, powerlessness and bewilderment;
- If still able to move, then excessive head scratching will often accompany the question: “what decision should we make?”

## DIAGNOSIS:

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This is also referred to as Analysis Paralysis. It is a good model, pretty accurate and ENORMOUS. To get to the commercially valuable stuff is a bit of a struggle. The brief seemed simple enough but just to be sure nothing got missed and all bases were covered, we spent a bit lot longer on it and we have modelled everything (including the chance of an alien invasion). Decision making? Impossible!


## TREATMENT:

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A bigger model is not always a better model...

You need to be sure when to add and when to stop adding. Too much information *can* be a bad thing.

Focus on delivering what is really important for decision making. If anything needs to be added, changed or removed, it should be possible to do it easily and with confidence. If it's not, your modelling methodology is not effective.



**READ MORE** about working to an Agile Methodology. Check out our ebook – “10 Principles of Agile Financial Modelling”

# No.9 PARANOIA



## SYMPTOMS:

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- Excessive sweating—caused by crippling fear that something has been missed.
- Large piles of old management accounts, group accounting policy drafts and tax structuring papers are built up on a desk like fortress walls.
- Prone to obsessive behaviours; compulsive scrutiny, endlessly looking for lurking errors, inability to relax.
- Feelings of desperation—variances will have to be explained by **Timing Differences**<sup>14</sup>.

<sup>14</sup>**Timing Differences:**  
“We don’t know”

## DIAGNOSIS:

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It is a ghastly game of hide and seek. The **Spreadsheet Matrix**<sup>5</sup> has been inherited from a string of previous operatives and is riddled with STDs. Upload the ledger data, refresh the calculations, hide the rounding errors and send everything else to other creditors (that so far has remained immaterial). But what if something isn’t right?

See no evil, hear no evil: the balance sheet balances. You try to ignore it. **Wrinkles**<sup>4</sup> can be ironed out at year end, right? Can’t they? It is all there in the commentary: **Timing Differences**<sup>14</sup>.

## TREATMENT:

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‘If you can’t describe what you are doing as a process, you don’t know what you are doing’

**W. Edwards Deming**

If you are not entirely confident of what is in front of you then there is a chance of a nasty surprise. Use the FAST Standard to develop a model that you understand and can be shared easily with others in your organisation.

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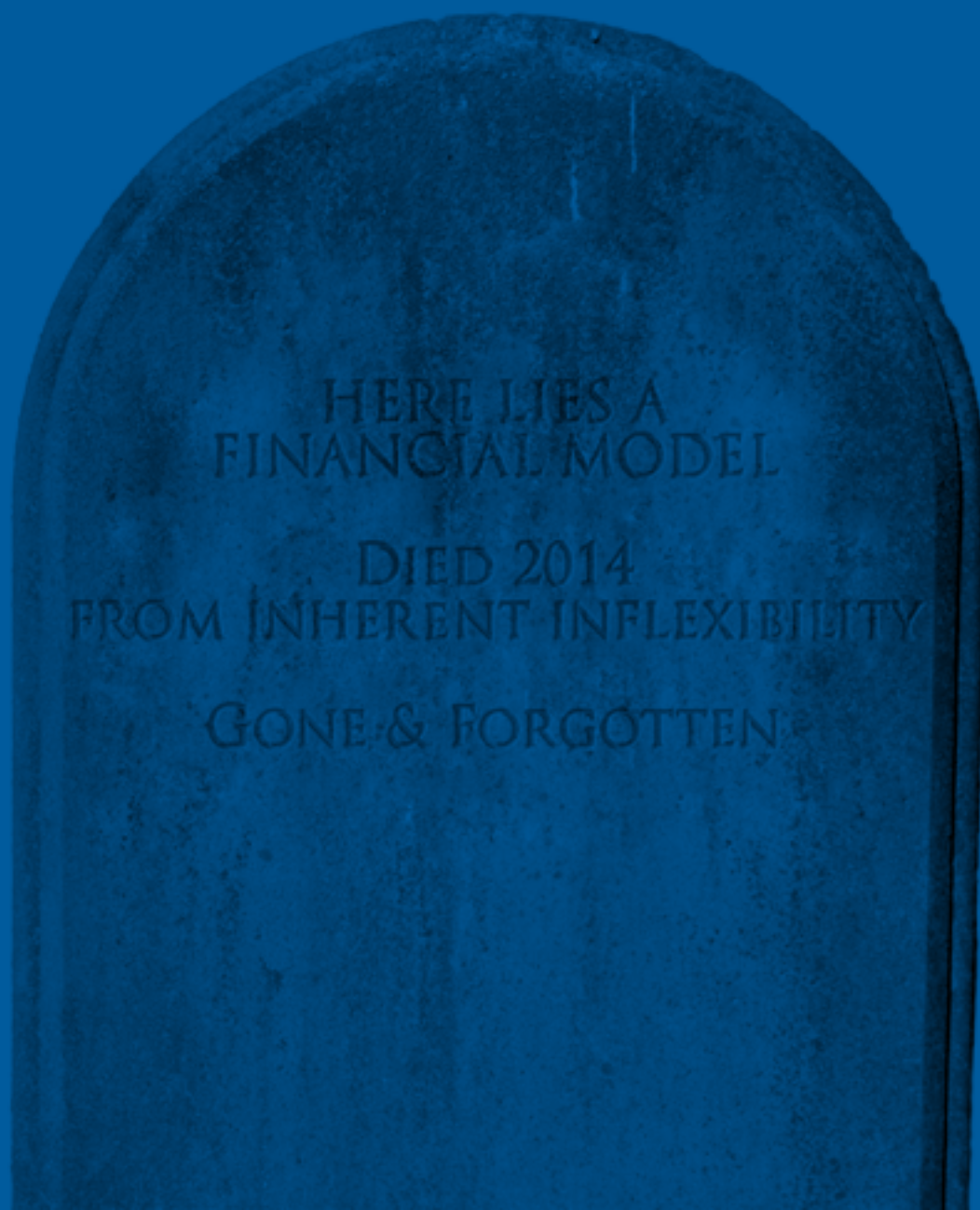
**CHECK OUT** *The financial modelling handbook*, the first collaborative, crowd-sourced financial modelling guide.

# No.10

# RIGOR

# MORTIS

## (DEAD ON ARRIVAL)



## SYMPTOMS:

- Your model is lifeless, inflexible and unusable.

## DIAGNOSIS:

The financial model is ready! Send for the trumpets! Its outputs are a perfect reflection of the original assumptions. But there is a problem: it is virtually all inputs. It is not so much a financial model, but more rows and rows of numbers spread across a whole bunch of worksheets. It's more **Financial Waddle**<sup>15</sup> than Financial Model.

The CEO ruminates: "I think the ramp up in volumes is a little aggressive, maybe we should drop it by say 10%?"

You think: "Great. That is 1,500+ cells I need to update". You embark on another Financial Waddle. The original is already in the **Morgue**<sup>16</sup>.

<sup>15</sup>**Financial Waddle:**  
A spreadsheet that has no future use.

<sup>16</sup>**Morgue:**  
Section of the shared drive where most spreadsheets end up being filed and never see the light of day again.

## TREATMENT:

Always work on the concepts, design and architecture that sit behind the spreadsheet.

Capture what it is you want to generate (outputs, underlying drivers, dynamics and interdependencies) before you start to build. These things are meant to be flexible and in most cases they need to be flexed to understand the sensitivities. Resist getting bogged down with excessive and unnecessary detail but capture enough appropriate information.

**Start your model build with the end in mind!** Check out our ebook: *"Business Analysis Life Cycle"*

# SEE US IN ACTION

We believe that models should work for your business.  
Let us show you how in our upcoming webinars.



## MODELLING TRAINING

### TAKE A CLOSER LOOK INSIDE A 'LIVE' TRAINING COURSE

Thinking about signing up for an F1F9 training course but aren't sure what to expect? Then this is the webinar for you. During this 45 minute presentation we will provide an overview of what to expect from our training, presented live by one of our trainers.

**WATCH THE WEBINAR**



## MODEL BUILD

### FIND OUT HOW WE BUILD MODELS THAT DELIVER

Thinking about working with F1F9 on a model build project but aren't sure what to expect? This is the webinar for you. We understand that asking for help with your model build can be daunting - so we've put together this webinar to help you understand how we operate and what you can expect from us.

**WATCH THE WEBINAR**



# CHECK OUT SOME OF OUR OTHER EBOOKS...

10 PRINCIPLES OF  
AGILE FINANCIAL MODELLING

HOW TO STANDARDISE MODELLING:  
5 LESSONS LEARNED THE HARD WAY

WHY FIXED PRICE CONTRACTS  
ARE BAD FOR EVERYONE

S-CURVE (CAPEX) MODELLING  
IN OIL & GAS

THE DIRTY DOZEN:  
12 MODELLING HORROR STORIES

OPEX MODELLING IN  
OIL & GAS

THE BUSINESS  
ANALYSIS LIFECYCLE

ESSENTIAL  
MODEL OPTIMISATION

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**We also train our clients to build better models themselves through courses delivered worldwide.**

To find out more about how we help you increase the efficiency of your modelling, and reduce modelling risk, call **Lynn Martin on +44 203 239 8575** or email **[lynn.martin@f1f9.com](mailto:lynn.martin@f1f9.com)**

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