

100 Questions to Ask About a Financial Model

Every modeler should be able to answer these questions about a financial model, whether it was built by a human or an AI agent.

STRUCTURE

1. Does the model include key components, including a cover page, executive summary, assumptions, scenarios, model schedules, financial statements, and outputs?
2. Was the model created using a horizontal, vertical, or hybrid tab structure?
3. Is this the optimal structure based on the needs and future uses of this model?
4. Was the model built to evaluate an opportunity or as an ongoing planning tool?

FLEXIBILITY

5. Does the model evaluate more than one business line, division or operating facility?
6. If so, will the company ever consider adding or divesting parts of the business?
7. Will the company ever need to turn assets on or off using switches?
8. If the model was built to evaluate an opportunity, will it need to be used eventually as an ongoing planning and management tool?
9. Does the model have timing flexibility to allow for the model to easily roll forward?

PERIODICITY

10. What periodicity was used in the forecast?
11. Is this periodicity optimal or would the model be better as a monthly, quarterly, or annual model?

POTENTIAL DANGERS

12. Are there any hidden sheets or very hidden sheets in the file?
13. Are there any external links in the file?
14. Are there any macros or VBA code within the file?
15. If the model includes VBA, could it have been replaced by better design or native Excel tools?

ASSUMPTIONS

16. Are all the assumptions together towards the beginning of the model?
17. Are there any inputs scattered throughout the model?
18. Have any inputs been hard coded directly into formulas?
19. Does the model use different colors to differentiate the model inputs from the outputs?
20. How were the assumptions derived?
21. Are the assumptions reasonable and defensible?

SCENARIOS

22. Does the model include a scenario page to evaluate upside and downside cases for the key drivers?
23. How many variables were included as scenarios?
24. How many cases were included for each scenario? (ie. Base, Best Worst)
25. Is there a realistic and meaningful difference between the various cases?
26. Are all scenario variables controlled with one switch, or does each variable have its own switch?

REVENUES

27. Does the model have a well-designed revenue schedule?
28. How many products, divisions or segments were forecasted?
29. Does the model consider price and volume variables for each component that was forecasted?
30. Are any products sold in foreign currencies which then need to be converted into local currency?
31. Are there any charges that need to be deducted from the gross selling price to arrive at the net selling price?
32. Does the company have any capacity constraints that could impact its ability to achieve its sales volume forecast?

OPERATING COSTS

33. Does the model have a well-designed cost schedule?
34. Does the model consider fixed and variable costs?
35. Have the variable costs been forecasted on a per-unit basis?
36. Have the fixed costs been forecasted on an aggregate basis?
37. Does the company have any semi-variable costs that need to increase at a rate other than the growth in sales volume?
38. Have selling, general and administrative costs (SG&A) been captured in the model?
39. Are there any one-time or unusual costs that need to be included in the forecast?

FIXED ASSETS AND DEPRECIATION

40. Does the company currently have fixed and intangible assets?
41. Does the assumptions page clearly show the capital expenditure forecast, the depreciation methodology, and depreciation rate?
42. Has the model considered the three categories of capital expenditures: maintenance, growth and environmental?
43. What is the depreciation methodology on the company's fixed assets?
44. What is the remaining useful life of the existing fixed assets?
45. What rate of depreciation should be applied to new assets?
46. Does the model include a well-designed depreciation schedule?
47. Does the company use the mid-year convention when calculating depreciation expense in the year an asset was purchased?
48. Do the depreciation calculations include a constraint to ensure the model does not over depreciate the fixed assets in the future?
49. Do the intangible assets need to get amortized?
50. What is the rate of amortization on the intangible assets?

INCOME TAX

51. Does the company have any existing deferred tax assets or liabilities on its balance sheet?
52. Does the model include a well-designed income tax schedule?
53. Does the model consider current and deferred taxes in the forecast?
54. How does the model arrive at Taxable Income for income tax purposes?
55. Does the company use a different depreciation method and rate for tax purposes?
56. What is the tax basis of the company's assets?
57. Is the company allowed to use losses to offset future income?
58. If so, does the company have any existing tax losses?
59. Are there any restrictions or expiry dates on the timing or usage of the company's existing tax losses?
60. Is the forecast for current and deferred taxes reasonable relative to the company's historical performance?

WORKING CAPITAL

61. What are the historical working capital items on the company's balance sheet?
62. Does the model include a well-designed working capital schedule?
63. Have the historical working capital items been translated into days or percentages?
64. Are the assumptions for future working capital days reasonable?
65. Does the working capital schedule include a line for Net Working Capital?
66. Was the Net Working Capital calculated correctly as the assets minus the liabilities?
67. Does the working capital schedule include a line for the change in working capital?
68. If so, does the change reflect the net change in the actual working capital items, or in the change in cash resulting from the changes to the working capital items?

DEBT AND INTEREST

69. Does the model include a well-designed debt schedule?
70. Does the debt schedule include a section for cash and short-term investments to calculate interest income?
71. Is the company required to maintain a minimum cash balance?
72. Has the company's existing debt been included on the debt schedule?
73. Will the company be issuing any new debt during the forecast period?
74. Does the model include a revolving credit facility, even if the company doesn't currently have a revolver?
75. Does the revolving credit facility clearly show all cash inflows and outflows that will occur before the revolver takes effect?
76. For all non-revolving debt like term loans, are debt repayments based on calculations or an assumption?
77. Have the debt repayment calculations incorporated a constraint to ensure that the model does not ever repay more than what's outstanding?
78. Are the interest rates on the company's debt fixed or variable?
79. If the company has any variable-rate debt, what benchmark rate is used?
80. For the variable-rate debt, is the spread to the benchmark fixed, or does it vary based on the company's leverage?
81. Does the model calculate interest expense using opening debt balances or average debt balances?
82. If the model uses average debt balances, does this lead to a circular reference in the file?
83. Is it reasonable or appropriate in the model to have a circular reference?
84. Does the Net Interest Expense properly include the interest on all the pieces of debt?
85. Does the Net Interest Expense subtract out interest income that will be generated on cash balances?

EQUITY

86. Does the model have a well-designed equity schedule?
87. Does the company have any preferred or convertible equity?
88. Is the company planning to issue or buy back shares in the future?
89. Does the company pay a dividend or intend to start paying a dividend?

FINANCIAL STATEMENTS

90. Are there any long formulas on the financial statements, or are the line items primarily links to schedules?
91. Does the balance sheet balance without a plug?
92. Are all items on the cash flow statement being reflected on the balance sheet, and is the change in every item on the balance sheet being picked up on the cash flow statement?

MODEL OUTPUTS

93. Does the model have a section to calculate ratios and other outputs?
94. Have the model outputs been calculated correctly?

ERROR CHECKS AND MODEL GOVERNANCE

95. Does the model include a dedicated error-check sheet or summary that flags issues automatically?
96. Is there documentation explaining the purpose, scope, and key design decisions of the model?
97. If the model was built or assisted by AI, is there a record of the specifications or prompts used to generate it?
98. Does the model include a version history or changelog?

EXECUTIVE SUMMARY

99. Does the model include an executive summary to show the results under all cases?
100. Has the summary page been automated so that it updates automatically when the output values change?