

# A Simple Model

Excel for Models:  
Vocabulary & Formatting

## NOTES TO ACCOMPANY VIDEOS

These notes are intended to supplement the videos on [ASimpleModel.com](http://ASimpleModel.com). They are not to be used as stand-alone study aids, and are not written as comprehensive overviews of the topic detailed. The purpose of these notes is to provide a tangible collection of the visuals used in the videos with comments highlighting the more important aspects covered.

## Excel for Models

- — 002 Vocabulary & Formatting

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There are an unlimited number of ways to input, calculate, format and share data in Excel, and if you think you have a better approach I encourage you to use it.

At my salaried profession, we look at approximately 300 opportunities for every transaction. The information shared is vast and comes in many formats. So while what follows provides direction for proper formatting, it may be viewed as a suggestion.

If, however, you are new to Excel, then it is helpful to know industry standards before developing your own.

Intentionally Blank

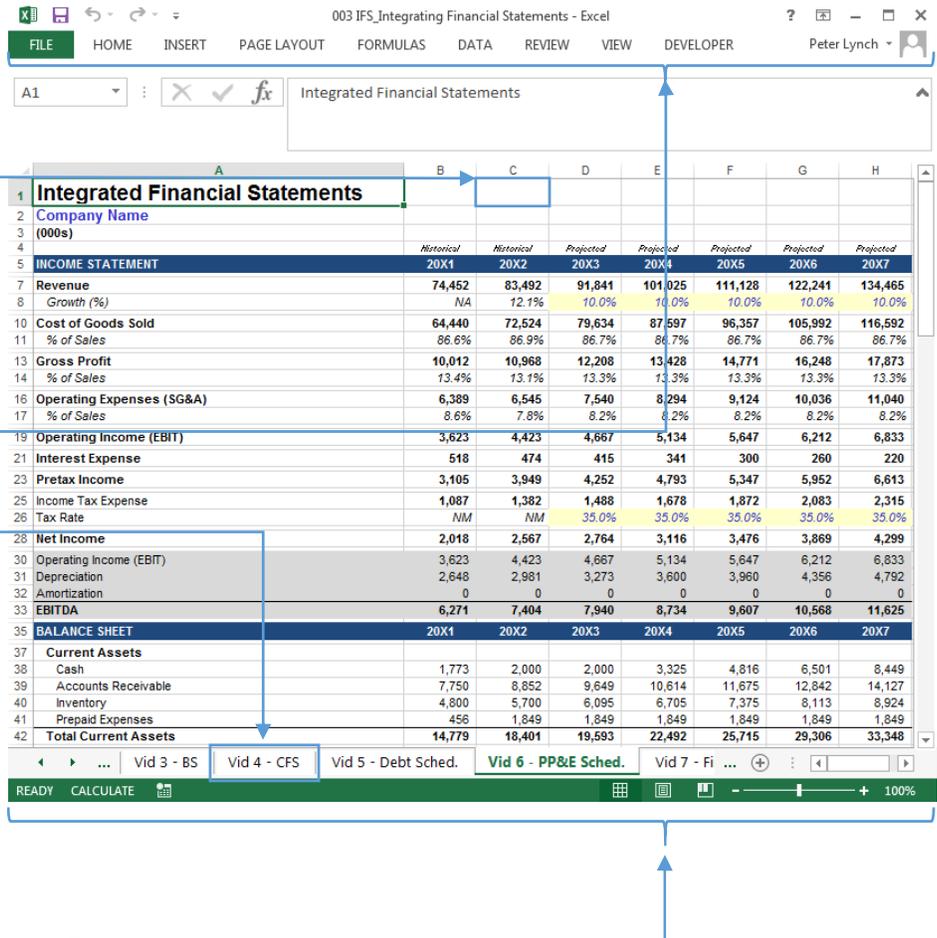
# Excel for Models

## 002 Vocabulary & Formatting

The video titled “Vocabulary and Formatting” shares more vocabulary, but the image below cites common terms that will be referenced in this document. Unlike the picture below, the video introduces all vocabulary on a blank template to avoid distraction.

Welcome to Excel: a few words to know...

- Cell
- Range: a collection of cells (two or more)
- Ribbon
- Worksheet / Tab
- Workbook: the entire file



After the vocabulary introduction, the video jumps to a financial model similar to the model pictured above. The objective is to introduce the most critical formatting elements of a financial model: inputs and formulas (external references are also introduced).

The color scheme applied to inputs and formulas provides an immediate visual template to guide the user.

### Formatting Color Scheme:

- Inputs: Blue text with a pale yellow background
- Formulas: Black text
- External Reference: Green text

### Formatting Standards vs. Practice:

Within the industry, most everyone appears to be in agreement that formulas should appear as black text, and that inputs should appear as blue text, but not always with the pale yellow background. With respect to the latter, it is common to see the pale yellow background removed on a finished product.

I find that external references are most inconsistently formatted. When I started out in the industry I was told that references to another worksheet within the same workbook should be formatted green, but I hardly ever see it in practice. Occasionally I see this applied to external references to separate workbooks. And that brings up another topic: whether or not your model should contain references to different workbooks at all. It is certainly feasible to build models this way, but it makes it far more difficult to find errors. For that reason I prefer to have all data in the same workbook.

### Too Cool To Do Drugs

If you are new to modeling, and if you are reading this I assume you are, I would recommend sticking to black text for formulas and **blue text with a pale yellow background** for inputs. Hopefully the “Too Cool To Do Drugs” example at 3:40 in the video did a decent job demonstrating why it can be important.

### F5 to Format Quickly

To help you abide by these standards, the conclusion of the video introduces a trick to format cells quickly. Hit the F5 key (prompts Go To window). Select “Special,” and then “Constants,” and finally “OK.” When the pop up window closes you will find all inputs highlighted, which makes it easy to apply a format to all inputs simultaneously. (Note: if you only want this to work for a specific range of cells, highlight the cells before hitting F5.)

