

Single Input vs Row of inputs

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An important feature of constructing spreadsheet models is that you must anticipate whether what is a certainty today, may not be so certain tomorrow. Also, just because your boss says he doesn't want to run sensitivity on an input today, doesn't mean it will never happen. With this in mind you should consider how you set up your inputs. Below are 2 options for the input of the tax rate. Option 1 has a single cell entry and Option 2 has an entry for every period. Option 2 is no more difficult to set up as you create the 1st cell and just link all the subsequent cells to the prior cell. Also, formula using the tax rate just link to this row instead of a single cell.

The benefit though is if, like some governments have done recently, a new tax rate or a super tax is introduced sometime in the future, it is easier to change in Option 2. In option 1 you would need to go into all the formula and make the change. In option 2, you can just change the rate in the correct column as shown in Mth 6.

Option 1										
Tax Rate	28%									
PBT	100	110	120	130	140	150	1 800	1 980	2 178	
Tax	-28	-31	-34	-36	-39	-42	-504	-554	-610	
PAT	72	79	86	94	101	108	1 296	1 426	1 568	
Option 2										
Tax Rate	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	
	28%	28%	28%	28%	28%	35%	35%	35%	35%	
PBT	100	110	120	130	140	150	1 800	1 980	2 178	
Tax	-28	-31	-34	-36	-39	-53	-630	-693	-762	
PAT	72	79	86	94	101	98	1 170	1 287	1 416	

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